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CANADIAN IMPERIAL
BANK OF COMMERCE

Annual Report 1974

R.O.B.

CANADIAN IMPERIAL
BANK OF COMMERCE

Highlights of the Year

For the year	1974	1973
Revenues	$ 1,659,133,820	$ 1,070,735,083
Expenses	$ 1,453,004,470	$ 889,306,967
Balance of revenue	$ 206,129,350	$ 181,428,116
Income taxes	$ 104,800,000	$ 88,500,000
Balance of revenue after taxes	$ 101,329,350	$ 92,928,116
Appropriation for losses	$ 38,000,000	$ 38,000,000
Balance of profits	$ 63,329,350	$ 54,928,116
Dividends	$ 38,672,400	$ 33,446,400
Per share		
Balance of revenue after taxes	$2.91	$2.67
Balance of profits	$1.82	$1.58
Dividends	$1.11	96¢
Year-end		
Assets	$18,946,881,185	$16,101,666,056
Deposits	$17,394,427,310	$14,801,143,240
Accumulated appropriations for losses	$ 210,821,954	$ 205,249,364
Total capital funds	$ 620,367,086	$ 595,710,136
Shareholders' equity	$ 520,367,086	$ 495,710,136
Number of shareholders	31,024	31,375
Number of employees	27,696	25,217
Number of branches	1,695	1,652

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CANADIAN IMPERIAL
BANK OF COMMERCE

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R. DONALD FULLERTON

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***Chairman of Executive Committee*

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Domestic Regions

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Marketing and Customer Services

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ONTARIO CENTRAL	J. R. McSHERRY	TORONTO
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Chief Accountant
J. P. THOMPSON 862-3565 ?

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and Chief Executive Officer

RUSSELL E. HARRISON
President
and Chief Operating Officer

R. DONALD FULLERTON
Executive Vice-President
and Chief General Manager

Report from Executive Management

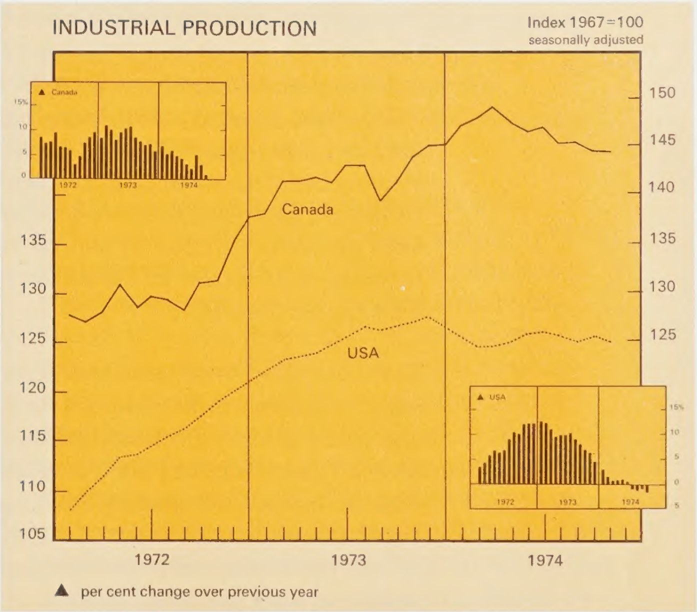
Economic Background

The year 1974 will be remembered as a year of change—in some instances dramatic change—in the world economy. In fact, the experience of the past two years has brought home with some force what the frequently used term "global village" really means, because never before have events in national economies been so dependent on developments in the rest of the world.

The Canadian economy experienced a rapid and, eventually, unsustainable rate of growth in the first half of our fiscal year, and this was combined with an alarming increase in the rate of inflation. The second half of the year was characterized by a marked deterioration, notably in housing, consumer durables and net exports. However, there was no apparent easing in the spiralling rate of inflation. During the year, the burden of fighting inflation fell mainly on the Bank of Canada, since the federal and provincial governments pursued relatively expansionary fiscal policies. In spite of the Bank of Canada's monetary policy objective, the broadly-based money supply expanded at a 21% rate last year compared with a 13% increase in the corresponding 1972-1973 period. Even with a relatively large increase in the money supply, the remarkable demand for credit, reflecting in part the impact of higher prices on borrowing requirements, forced interest rates to record highs.

While Canadian economic performance in terms of real growth and price inflation was disappointing over the past year, we have, on balance, fared better than most industrialized countries. The increase in the prices of oil and other energy resources has placed considerable strain on the international community due to the huge payments surpluses of the oil exporting countries and the equivalent deficits of the energy consuming countries.

The severity of the problem of price inflation, which currently plagues a large number of countries, resulted from the marked and historically unique synchronization of the major industrial economies during the past period of economic expansion, the world-wide shortage of commodities which developed and significantly increased prices of a wide range of petroleum products and related derivatives.



The effects of higher energy costs and shortages strengthened the impact of internal deflationary policies aimed at reducing inflation. As a consequence, output in the major industrialized countries weakened during 1974. The United States, the United Kingdom and Japan, our major trading partners, experienced declines in real Gross National Product in 1974.

Operating Results

Against this economic and monetary background, it was to be expected that the Bank's results would show significant increases in the levels of loans and deposits, substantially higher interest revenues and interest costs, and much higher inflation-induced operating costs. This is evident in the Bank's one hundred and eighth Annual Statement. The Bank's total assets increased from some $16 billion to almost $19 billion by the year-end, an increase of $2.8 billion, or 18%. A very large proportion of the increase in total assets is accounted for by the increase in Total Loans, which reached $11½ billion, an increase of $2½ billion, or 28% from the October 31, 1973 level.

A similar growth picture is evident in the liabilities section. Total Deposits increased by $2½ billion, with two-thirds of the gain accounted for by a higher level of savings deposits.

The operating results shown in the Statement of Revenue, Expenses and Undivided Profits reveal some material fluctuations from the results for 1973. Total Revenues and Total Expenses each rose by more than $500 million, with deposit interest costs up some 86% to more than $1 billion. Salaries, pension contributions and other staff benefits increased by almost $50 million, an increase of 26% over 1973, which, in turn, was 25% higher than 1972.

Since last year, there have been two general salary adjustments to compensate for rising living costs and to maintain salary scales at competitive levels. These increases are in addition to the normal reviews recognizing merit and promotion. Being conscious of the problems inflation creates for our pensioners, payments to supplement their pensions were increased also.

Other operating expenses were up from $80 million to $105 million, which reflects inflationary pressures as well as increased provision for loan losses.

The Balance of Revenue amounted to $206 million, which was $25 million, or 14%, higher than last year. After providing for income taxes of $105 million and setting aside an Appropriation for Losses of $38 million, the Balance of Profits for the year amounted to $63 million, an increase of $8 million from the previous year. Dividends to shareholders totalled $38 million for the year and represented a per share payout of $1.11, compared to 96¢ in 1973.

Accumulated appropriations for losses increased from $205 million to $210 million after providing for all foreseeable losses and a write down to market value, where appropriate, in the securities portfolios. Capital Funds were increased during the year by the addition of $35 million to Rest Account and the total is now $620 million.

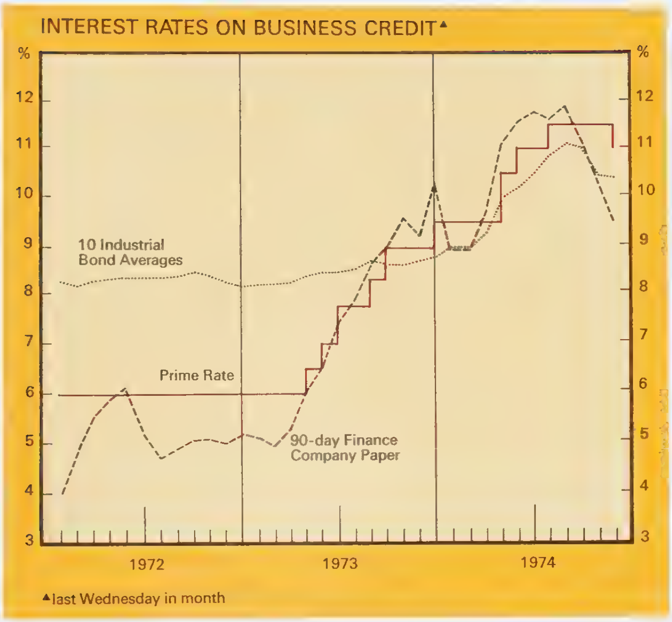
Last year, operating costs, exclusive of interest, increased by $80 million, whereas operating revenues, again exclusive of interest, increased by less than $17 million. This trend has existed for several years and the Bank's profitability has been sustained by increases in net interest earnings attributable primarily to a higher volume of assets and partially to an improved asset/liability mix.

Next year, operating costs are expected to increase substantially again as the result of inflation. It is quite unlikely that growth in assets and changes in asset/liability mix will produce a sufficient gain in net interest earnings to support these cost increases.

As a result, it will be necessary to review the pricing of banking services to ensure they reflect properly the significant increases in the cost of operations that have been experienced during the past few years.

Canadian Operations

The ratio of Canadian dollar loans to Canadian dollar deposits has been increasing for many years with only temporary interruptions. As a result, imbalances between loan demand and deposit generation can no longer be accommodated by



adjustments in the portfolio of liquid securities alone. It is necessary to pay close attention to the management of the Bank's liabilities and to the management of the less liquid assets. Dealing first with asset management, some major changes took place in the more important loan categories.

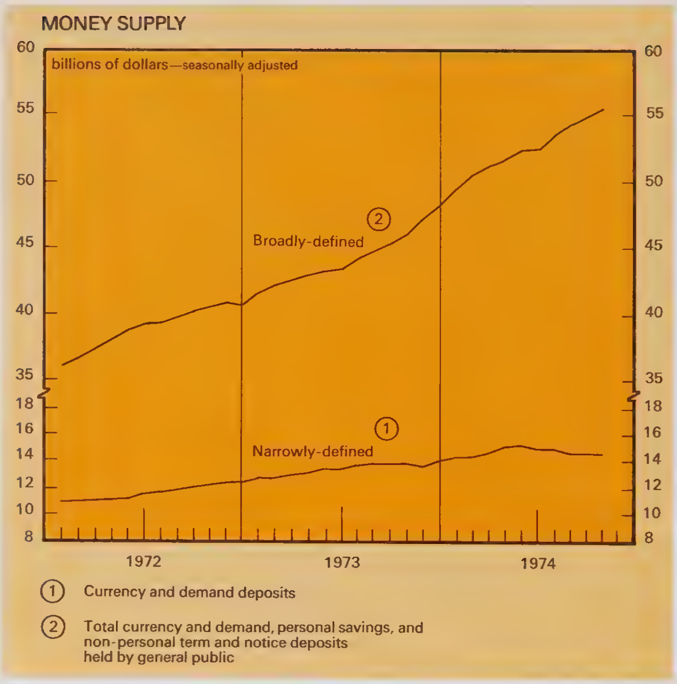
The demand for mortgages was high in 1974, spurred by strong new housing activity during the first eight months of our fiscal year, as well as by rising prices on existing buildings. By mid-year, the Bank was unable to cope with the overwhelming demand and, in view of the changing monetary conditions, it proved necessary to modify our lending policy. Nevertheless, mortgages outstanding grew by almost 40%. Housing starts have dropped sharply from their peak because of high prices and high interest rates, and, with some easing in monetary conditions, the Bank has been able to return to a more normal lending posture.

The demand for personal loans remained strong through most of 1974. While the increase was not as rapid as during the two previous years, consumer loans increased by about 25%. As the year progressed, demand eased somewhat, which was consistent with the deceleration in the volume of consumption spending as consumers became more cautious in the light of continued price inflation and anticipated higher unemployment. During the year, standards were tightened to ensure that the quality of loans in this category would not deteriorate. However, the Bank continues to seek high quality loans for worthwhile purposes and within the borrowers' capacity to repay.

The business community spent more than \$19 billion on fixed plant and equipment in 1974 and also had to finance substantial additions to business inventories and accounts receivable. Reliance by non-financial corporations on internal sources of funds, while great, was not sufficient to meet their financial requirements. During late 1973 and the early part of 1974, many corporate borrowers expected the general level of interest rates to fall and they were reluctant to borrow money with a long term to maturity. This resulted in heavy pressure at the short end of the market. Although the business sector issued an

exceptionally large volume of short-term commercial paper, the demands on the banks for credit remained very strong. The Bank's general loans, for example, increased by 22%, an increase of well over $1 billion.

Despite the strong growth in the money supply by historical standards, every demand for credit could not be met by the Bank, nor by the system as a whole. Periods of credit restraint have become relatively common during the past few years and the problem of rationing credit is, apparently, one with which we shall have to live. The policy we adopted during the past year is one which we intend to follow in the future, as far as is possible, when faced with the inability to meet all the credit-worthy demands presented to us. Firstly, we would hope to continue to accommodate those requests where there is no practical alternative source of funds. Secondly, the Bank will continue to look after the needs of small business and, thirdly, we shall take full cognizance of regional disparities and do all we can to encourage economic development in the slow-growth areas of this country.

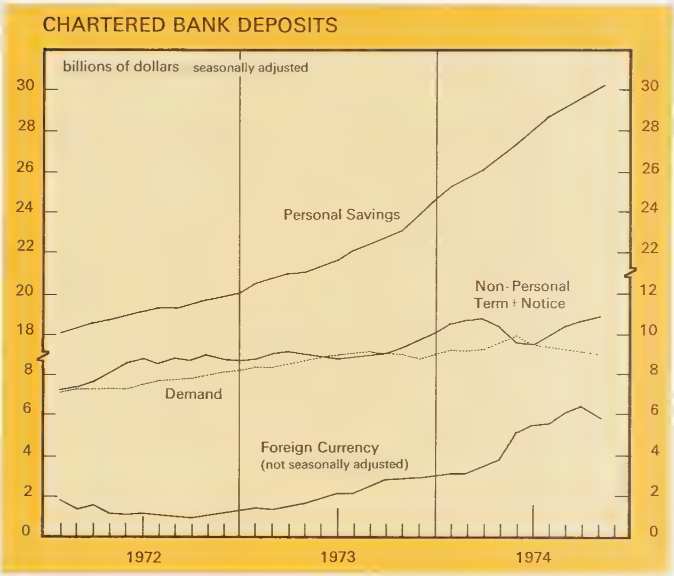


We are frequently criticized by government and in business circles for our lending policies. We are sensitive to and responsive to these criticisms which are, in many cases, caused by circumstances beyond our control. Hard decisions have to be made from time to time in our business, as in most others, and, while we cannot expect universal agreement on our actions, we can improve the general understanding of the necessity for such actions. This is receiving attention.

Liability management, like asset management, has become more important. It is not simply a problem of generating sufficient deposits to finance loan demand, it is also the problem of relating the cost and the term of a deposit to its probable, profitable use.

During the past year, there were several developments worth noting. Firstly, the increasing uncertainty of the consuming and saving public led to the savings ratio rising to a record high level during the year. Secondly, the relatively unattractive 1972 and 1973 series of Canada Savings Bonds led to extensive redemptions, diverting funds to the personal deposit instruments

of the banks. Thirdly, the so-called Winnipeg Agreement established interest rate ceilings on short-term deposit instruments which, during most of the year, were lower than money market rates and resulted in diverting funds from the banks to the money markets. Finally, the Bank found it necessary during the year to utilize hedged foreign currency deposits to support Canadian dollar lending activity, although the utilization of these deposits was reduced to nominal levels by year-end.



In summary, relatively high-cost deposits grew by about 30%, whereas low-cost deposits showed little change. More importantly, the Bank has maintained or improved its share of the important stable deposits like Personal Savings and Personal Chequing Accounts.

To ensure satisfactory performance in attracting personal deposits, we do our best to provide efficient, convenient and needed services to the Canadian public. An important element of this strategy is new branches. Last year, the Bank opened 40 new branches in Canada and closed two, to bring the total number to over 1,600—about 225 more than any other Canadian bank. The Bank will continue to seek new profitable branch locations in accordance with the policy of providing Canadians with complete and convenient banking services.

Another element of our strategy to attract personal deposits is the development of new deposit instruments and other services. Last year, the Bank introduced Commerce Key Account, a package of banking services for a flat-rate monthly service charge. It has obviously met a need and has been received very favourably. Recently, a Registered Savings Plan was launched to permit clients of the Bank to take advantage of the attractive tax deferral provisions in the Income Tax Act on savings for retirement purposes. It is expected to be equally successful.

International Operations

The problems of recycling oil surpluses, deflationary domestic policies, and high rates of inflation converged on the international money markets to create a great deal of uncertainty. A few, well-publicized failures and disclosures of large

foreign exchange losses served to reinforce the uncertainty.

In this environment, it was prudent for the Bank to proceed cautiously and, although foreign currency deposits increased, the rate of growth was considerably less than in 1973.

The reduced growth rate does not reflect a change in policy. The Commerce has a prime name in international markets and foreign currency deposits could have been increased by a significantly greater amount. It is simply not sensible, in our view, to take on deposit liabilities that cannot be profitably and safely employed.

The funds raised are invested primarily in foreign currency loans or placed on deposit with other banks. Particular attention was paid to the quality of loans and even in the present difficult environment there were first-class lending opportunities in the better economies of the world. As a result, foreign currency loans increased by about 40% last year. Deposits with other banks stem from wholesale operations and, during the past year, the Bank followed a conservative policy and deposits with other banks declined marginally.

Profit from international operations has been increasing and it is expected that the relative contribution from this source will continue to grow. Next year will likely be a further period of consolidation for the Bank internationally, but we shall continue to strengthen and broaden the base of operations. During the year under review, the Bank entered a joint venture in Hong Kong called Canadian Eastern Finance Limited which is already operating on a profitable basis. At the same time, an Area Office was established in Hong Kong covering the Far East. To complement the growing international network of trust operations, a new subsidiary, Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited, was incorporated with its Head Office in Nassau. A Special Representative has been attached to the European operations office in London with specific responsibility to further develop business in the Middle East and the Bank intends to establish a physical presence in that area. Based at Head Office in Toronto, the International Services Department was formed, during the year, to provide advice and assistance to Canadian business involved in international markets and, in October, we opened a Representative Office in São Paulo, Brazil.

Other plans are under development for expanding the Bank's international base and, with full recognition of the economic uncertainty in international markets, we have set realistic but challenging objectives for ourselves.

Organization and Policy

The business of banking is becoming increasingly complex. During the past year, we have made some significant changes in our organizational structure and philosophy. To respond actively and intelligently to change and to recognize opportunities for proper and effective growth, the Bank must have a broad and knowledgeable executive base. We have expanded this base by the appointment at Head Office of five Senior Vice-Presidents. We have delegated substantial authority, responsibility and, ultimately, accountability for major functions of the Bank's operations to each of them. For example, administration of loans and investments, from a day-to-day operational point of view, is the responsibility of the Senior Vice-President, Loans and Investments, whose reference to higher executive authority is largely confined to matters of policy and those areas which could affect other aspects of the Bank's operation.

The objective of delegating further responsibility to the Regional Vice-Presidents was enhanced by the appointment of a Senior Vice-President, Domestic Regions, who is responsible for co-ordinating regional activities. The Bank's responsiveness to, and understanding of, regional needs will continue to improve as more and more decision-making powers are delegated to the various regions.

During the past year, we have embarked on the preparation of a comprehensive long-term plan. One of the first tasks of the Senior Vice-Presidents was a detailed review of the operations falling into their respective areas of responsibility. These reviews have been completed and are currently being consolidated. They will form the basis of a co-ordinated, strategic plan for the Bank's future

development. We must ensure that, in the rapidly changing environment in which we operate, we have the abilities and the resources to realize our maximum potential.

We recognize fully that the success of the planning effort will depend on the Bank having the trained personnel to carry out programs efficiently. Bank personnel show a keen interest in personal development. This is supported by giving a high priority to providing training, both on the job and at training centres across the country, in order that the Bank's personnel may acquire the skills to keep abreast of the rapidly changing banking environment. During the year, some 600 men and women attended a wide variety of classes at the Bank's Staff College in Toronto. In addition, about 2,000 employees are enrolled in the educational programs of the Institute of Canadian Bankers conducted through universities across Canada. The recruiting, training and development of our human resources has the highest priority.

To sum up, it is our goal to be a major national and international financial institution. The Bank is well placed in the Canadian market for continued growth and the potential for growth internationally is even greater. While we intend to grow, we intend our development to be solid and sensible. We are bankers to the whole Canadian community with a heavy responsibility in a growing, developing country to be able to serve the needs of individuals, business, communities and regions. We do not intend to limit our service by concentrating our efforts in only a few areas.

Our growth will be balanced because that is the kind of Bank we are. Our assets will increase but no faster than our capability permits. Our aim is to attain safe and profitable growth in a steady, logical manner.

We fully recognize that as well as producing a profit, the Bank, as a corporate citizen, has other responsibilities to the community. We are conscious, also, of the social, political and economic consequences of our actions. We believe the Bank can serve society best by being an efficient bank and that its economic soundness and contribution is the best test of its competence and its relevance. In the future, we shall continue, based on enlightened self-interest, to be responsive to changing social demands.

The results for the year permit a measure of satisfaction and we are proud of the contribution made by our 28,000 personnel. The large growth in volume of business, its increasing complexity, and the variety of new services have placed additional demands on our personnel and they have met the challenge and performed well in today's difficult environment. As executive management of the Bank, we congratulate them for their excellent performance.

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Loans and Investments

DAVID A. LEWIS
Senior Vice-President
Marketing and Customer Services

DEREK G. KEAVENEY
Senior Vice-President
Administration

Reports from Senior Vice-Presidents

INTERNATIONAL OPERATIONS

James G. Bickford
Senior Vice-President,
International Banking

Despite a background of persistent worldwide inflation, along with unsettled Eurocurrency and foreign exchange markets, our international operations showed continued and orderly growth during 1974.

Uncertainty in the marketplace and moves by central banks to establish varying forms of controls resulted in some curtailment of market activity and this will probably carry over well into 1975. Interest rates on foreign currency deposits increased beyond some expectations during the year, but appeared to have peaked and began turning slightly downwards.

There were also significant changes in the Eurocurrency lending market in 1974. At the beginning of the year, loan syndications for widely diversified types of borrowers were entering the market in substantial number and competition among lenders was strong, resulting in very narrow interest rate spreads. By mid-year, uneasiness in the marketplace led to many of the smaller banks withdrawing from the pool of lenders. Loan syndications, except for the most credit-worthy borrowers, became more difficult to place. Consequently, rate spreads widened and the market saw a much improved quality in offerings. The Commerce continued to build a well-balanced loan portfolio and is now lending or conducting some form of international business in more than 70 countries.

The new International Services Department will co-ordinate the Bank's extensive and expanding range of international services to meet the specialized financial requirements of Canadian businessmen in their growing foreign dealings. It will also actively support the established international operating facilities of the Commerce located across Canada.

We have had a representative office in Hong Kong since 1968 but the creation of a new merchant bank, called Canadian Eastern Finance Limited, in partnership with Cheung Kong (Holdings) Limited, a well-known Hong Kong property investment and development company, represents a major broadening of our representation there. This enterprise, with a paid-up capital of $10 million, accepts term deposits and offers loans, mortgages and a range of other specialized banking services.

The establishment of Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited, which together with Canadian Imperial Bank of Commerce Trust Company (Cayman) Limited and its wholly owned subsidiary, The Canadian Bank of Commerce Trust Company (Caribbean) Limited, means the Bank now provides trust services throughout the West Indies. We also opened two new Jamaican branches and one in Barbados in 1974 and more will be added in 1975. Other new or enlarged premises are also currently under construction.

Brazil has a rapidly developing economy and our new Resident Representative Office in the metropolis of São Paulo gives the Bank a presence on the South American continent and provides an excellent base from which to expand its activities throughout Latin America.

The Bank continues to participate increasingly in international banking and financial groups and has interests in organizations which are based in England, France, the Middle East, Brazil, Peru, Australia, Hong Kong and Japan.

ADMINISTRATION

Derek G. Keaveney
Senior Vice-President
Administration

Methods and Organization

The Bank's data processing needs continue to increase and the capability of our computer operations and technology is constantly advancing. During the year major decisions were made concerning computer configurations, based on the requirement to expand on-line systems into a national network. Such a network will involve the maintenance of information on most types of deposit accounts in central computer files and ultimately will enable us to serve fully the banking needs of a customer at any branch, not just the branch at which his or her account is held.

In 1974, the redesign of our Chargex authorization procedures was completed. At the same time, new systems have been prepared to handle our newly-launched SMART Registered Savings Plan.

Other major ongoing work of the Methods and Organization Division involves the upgrading of management information systems and the development of the Bank's capability in the field of electronic funds transfer systems. The latter will eventually make possible the initiation and completion of many financial transactions, using computer facilities, without requiring the production of documents such as deposit slips and cheques.

Premises

The final phase in the development of Commerce Court in downtown Toronto was completed this autumn with the re-opening of the 34-storey tower at 25 King Street West after two years of modernization. This limestone landmark, which for more than four decades housed the Head Office of the Bank, has been handsomely refurbished and renamed Commerce Court North.

Great care was taken to preserve its distinctive character which complements the three new buildings and courtyard and, thus, helps Commerce Court to achieve a successful blend of the old and the new.

The space on the lower floors in Commerce Court North accommodates some components of our Main Branch and Head Office operations, with the upper floors being leased to tenants.

The Premises Division is responsible for development and management of the Bank's real estate assets. This includes the provision of premises for new branches as well as the modernization of existing branches throughout Canada.

Accounting and Control

Information on the Bank's financial position and progress is prepared and analysed by the Controller's Division for the use of shareholders, management and government. Consolidated statements of the important assets and liabilities of all branches are supplied to management and to the Bank of Canada every week.

The Division measures performance against plans and budgets. Thus, management is informed promptly of the existence of, and the reasons for, any divergence from the target levels of assets and profits, permitting rapid adjustment of operating plans to meet changing circumstances. The Division also calculates the costs and profitability of the many services provided to the Bank's customers. This enables prices to be set for services which are fair, both to the customer and to the Bank.

Carrying on business both in Canada and abroad and dealing with customers resident in foreign countries involves many problems in income tax planning and compliance with a multitude of different tax laws. This work is handled by the Division's taxation specialists.

Head Office Services

This Division provides a great range of essential services such as centralized communications, records management, cleaning, purchase and distribution of stationery, and operation of the Head Office cafeteria. Another responsibility is the management of the popular Observation Gallery atop Commerce Court West, where public admissions have averaged close to 5,000 a week.

LOANS AND INVESTMENTS

Charles M. Laidley
Senior Vice-President,
Loans and Investments

Financial markets in Canada and abroad were generally unsettled during the past year, with business activity expanding rapidly, particularly in late 1973 and early 1974, and inflation running at an exceptionally high level. This created a strong demand for funds from the business sector, both for expansion of facilities and for the working capital required to carry inventory and receivables with a substantially higher dollar value. More recently, there has been a significant slowing in the pace of economic activity, but, with prices still increasing rapidly, there has been a less marked deceleration in the demand for financing.

A combination of high interest rates and investor reluctance to commit funds for more than very short periods effectively closed off the bond market to most corporate borrowers, while a slumping and unreceptive stock market offered no viable alternative. Thus, companies turned to commercial paper and bank loans for virtually all the funds raised from external sources. Reliance by corporations on internal sources of funds was also great.

Throughout the year, the Bank endeavoured to satisfy the borrowing needs of its customers, with particular concern for individuals and small businesses

Through its affiliate, Kinross Mortgage Corporation, the Bank was a significant factor in the mortgage field, with the main emphasis on mortgages for single-family residences. Utilizing the Bank's extensive branch network, Kinross is particularly well-equipped to serve a large number of communities across the country.

Consumer Finance

Growth of consumer credit continued at a somewhat slower pace than in the preceding year. The Bank remains a leading provider of instalment financing to individuals for the purchase of goods and services and it has maintained its market position by meeting the changing requirements of consumers.

For example, a major demand in the past year has been for assistance in the purchase of mobile homes, which, in many parts of the country, are helping to ease the housing problems of an important segment of the population. The Commerce has responded with Dealer Plan, a point-of-purchase financing arrangement now offered at regular Bank rates across Canada. With 2,700 participating dealers, the plan covers major items ranging from mobile homes, to appliances, to cars. It has substantially broadened Bank activity in this field and increased the range of financing options available to the public.

Chargex

Commerce Chargex has made remarkable strides as more and more Canadians have come to accept the convenience of the card as a payment medium for goods and services. Some 110,000 Canadian merchants now participate and, through international arrangements, the card is honoured at 1.5 million retail outlets and 44,000 banking offices in 111 countries and territories around the world.

To meet the sharp increase in volume, we have been devoting considerable manpower resources to the development of new techniques to speed up both processing and authorization procedures. The objective is to place the Chargex operation in a position to contribute significantly to earnings when the cost of funds returns to more normal levels.

An important advance during the year was the formation of Ibanco Ltd. by banking organizations in 14 countries, including Chargex members in Canada. This new international initiative is aimed at the promotion of world-wide acceptance of the Blue-White-and-Gold cards and the development of more efficient customer service systems.

DOMESTIC REGIONS

Basil E. Langfeldt
Senior Vice-President,
Domestic Regions

In 1974, export demand for British Columbia's minerals and forest products was high for the first half of the year, but a subsequent housing construction fall-off in the United States and Canada caused extensive disruptions in the lumber industry. While Alberta has been benefiting from higher oil and natural gas prices, concern regarding future tax levels could reduce exploration outlays. In all of the Prairie provinces, high feed costs, lower meat prices, and poor crops slowed the growth of net farm incomes, which, nevertheless, were high by historical standards.

In Ontario, auto and auto parts industries suffered from the decline in car sales in the United States, and the housing construction slump began to affect demand for domestic appliances. In both Ontario and Quebec, the mining industry enjoyed sharply higher world prices for metals, but there was some easing of prices towards year-end. Demand for lumber declined in Quebec and the Atlantic Provinces, and a sharp drop in lumber prices occurred there in the last half of the year. The market for woodpulp and newsprint seemed to be steady.

With this background, plus tight monetary conditions, the Bank's major effort across Canada in the past year has been to ease the burden of businesses, farmers and fishermen to carry on their necessary operations, with particular emphasis being placed on meeting the credit needs of smaller businesses.

The Bank undertook some significant innovations in the fiscal year. One was the development of Commerce Key Account to a point where it is an outstanding success. To serve its customers better, the Bank took steps to develop increased expertise on its money market desk in each Canadian region and to improve its ability to deliver international banking services across Canada. In addition, it moved to increase its staff of professional agronomists and strengthen its capability in the oil and gas area, both at Head Office and in the field. As well, a Textile/Apparel Department was established in Montreal to provide specialized expertise for the important textile industry centred in that city.

As the Bank evolves with Canadian society, a principal requisite becomes the ability to provide a wide range of services efficiently and effectively to customers. To this end, the Bank is making a strong, continuing effort to further improve the quality, training and education of its employees. It is important that a broad spectrum of competent and current skills be made readily available to meet an ever-expanding complexity of customer demands. To achieve this goal, the Bank utilizes the established courses and programs of various Canadian educational institutions, its Staff College in Toronto and internal training centres and facilities across the country.

The proportion of women participating in the Bank's training programs has continued to increase markedly. Fifty-three women are now Commerce managers and many more are appointed officers, reflecting the trend among women to take a more active role in business.

As Canadian lifestyles evolve into new patterns, as new frontiers are opened during the quest for vital natural resources in the far North, and as existing communities grow and change, new branches will be established to provide efficient and convenient banking services.

DEPOSIT BUSINESS, MARKETING AND CUSTOMER SERVICES

David A. Lewis
Senior Vice-President,
Marketing and Customer Services

Deposit Business

Deposits are the lifeblood of the Bank, providing the resources to meet the financial needs of consumers, business, both large and small, and governments. To attract deposits, the Bank must be sensitive to the marketplace. This means, for example, a responsive posture towards interest rates. It means a continuing assessment of the suitability of its deposit instruments and a continuing search for new deposit instruments or other services which will enhance its ability to attract deposits. It means establishing branches in new locations in Canada where there is a recognizable need for banking services. It means perceiving trends in international money markets leading to the establishment of new offices or an increase in its representation in major areas of international activity.

Recently, the Bank has taken several initiatives to strengthen its deposit-gathering capability. Money market desks have been established in each of the domestic regions to improve service to customers with short-term funds to invest. Commerce Key Account was designed and launched. More than 150,000 individuals—many of them new customers—now carry this card which entitles them, for a single monthly fee, to a "package" of personal banking services, ranging from unlimited cheque writing to cashing a personal cheque for up to $100 at any Commerce branch in Canada.

The Bank designed and recently introduced a government-registered savings plan, SMART, an acronym for Save Money And Reduce Taxes. It permits existing and new customers to save money on an advantageous tax deferral basis by either investing in Commerce Income Fund or accumulating funds in a Registered Deposit Plan.

The development of our deposit business will continue to be a major priority.

Marketing

The Bank approaches marketing in the broadest sense. It is not restricted to sales, or to advertising, or to promotion, or to the design of new services. It encompasses all of these, as well as an awareness of and concern for the quality of service provided and the developing needs of customers. The prime responsibility for marketing rests with each of more than 1,600 branches, supported by Regional Offices. At Head Office, we maintain a broad overview, set policy and objectives, and take initiatives best accomplished centrally. An example would be advertising, the main thrust of which is through the sponsorship of two news commentaries, called "Backgrounder" and "Commentaire", on the English and French private television networks.

We are communicating to the Canadian public that the Bank is a responsible institution to which Canadians can turn with confidence.

Customer Services

In addition to holding deposits and making loans, the Bank provides many other services. These range from the sale of travellers' cheques, to the provision of accounting services to businesses, and to optically scanning data for the preparation of computer readable input. Some of the initiatives taken recently in developing new services include Cash Flow Management and Accelerated Transfer of Funds services, both of which are enjoying high customer acceptance. The Agricultural, Natural Resources, Mergers and Acquisitions, and Industrial Development departments provide technical expertise in their respective areas to regional offices, branches, and customers. Another important service is the 24-Hour Cash dispenser, which has been developing over a number of years. Customer acceptance and use indicates it is a worthwhile way to improve customer convenience. The expansion of such systems will continue.

The Bank will constantly review the needs of the market and assess its own relative strengths to design new or improved customer services.

(from left to right)

J. R. McSHERRY
Vice-President and
Regional General Manager
Ontario Central

J. D. HAIG
Vice-President and
Regional General Manager
Saskatchewan

J. D. SIMPSON
Vice-President and
Regional General Manager
Atlantic

A. W. MOYSEY
Vice-President and
Regional General Manager
Manitoba

G. T. ORMSTON
Vice-President and
Regional General Manager
Ontario West

B. E. LANGFELDT
Senior Vice-President
Domestic Regions

R. D. FULLERTON
Executive Vice-President
and Chief General Manager

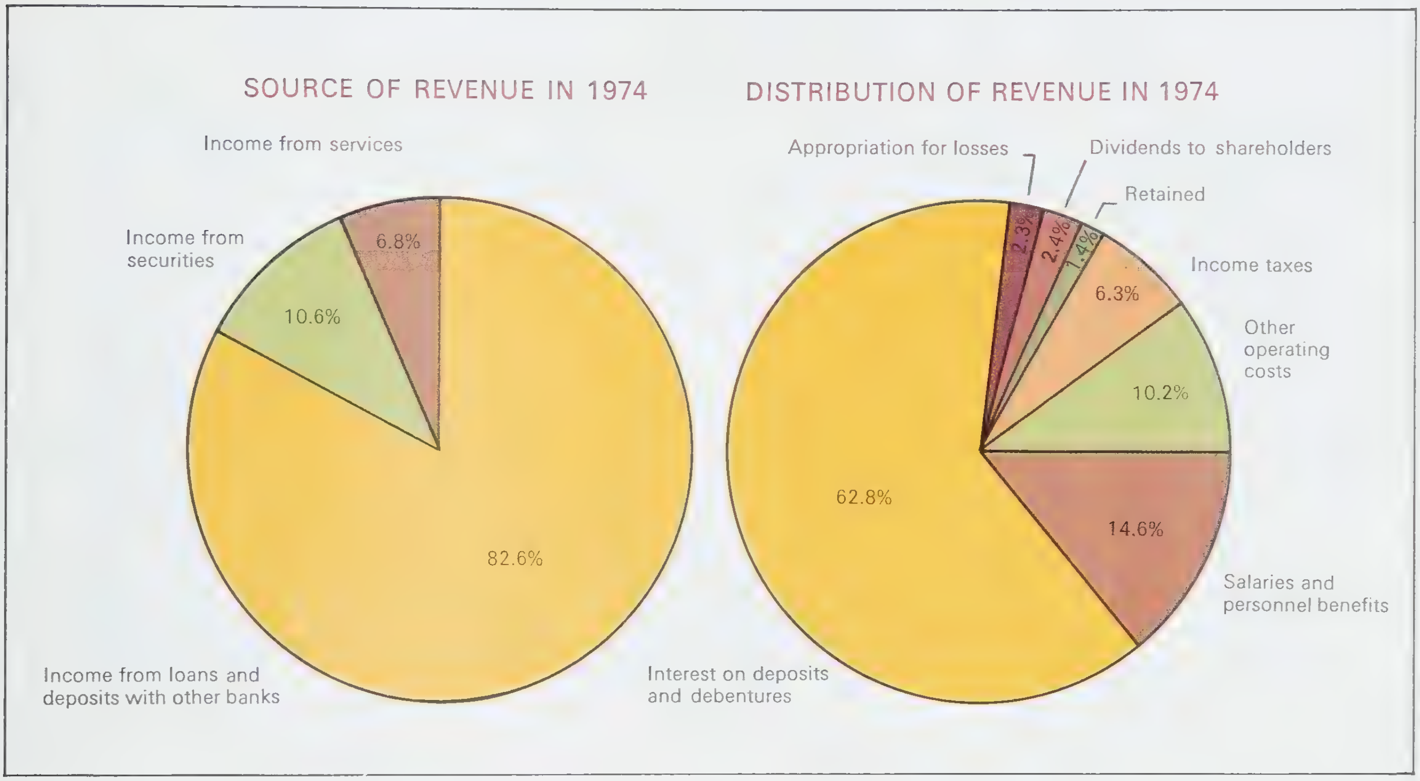
F. E. K. UDELL
Vice-President and
Manager, Main Branch—
Commerce Court

G. H. LENNARD
Vice-President and
Regional General Manager
Quebec

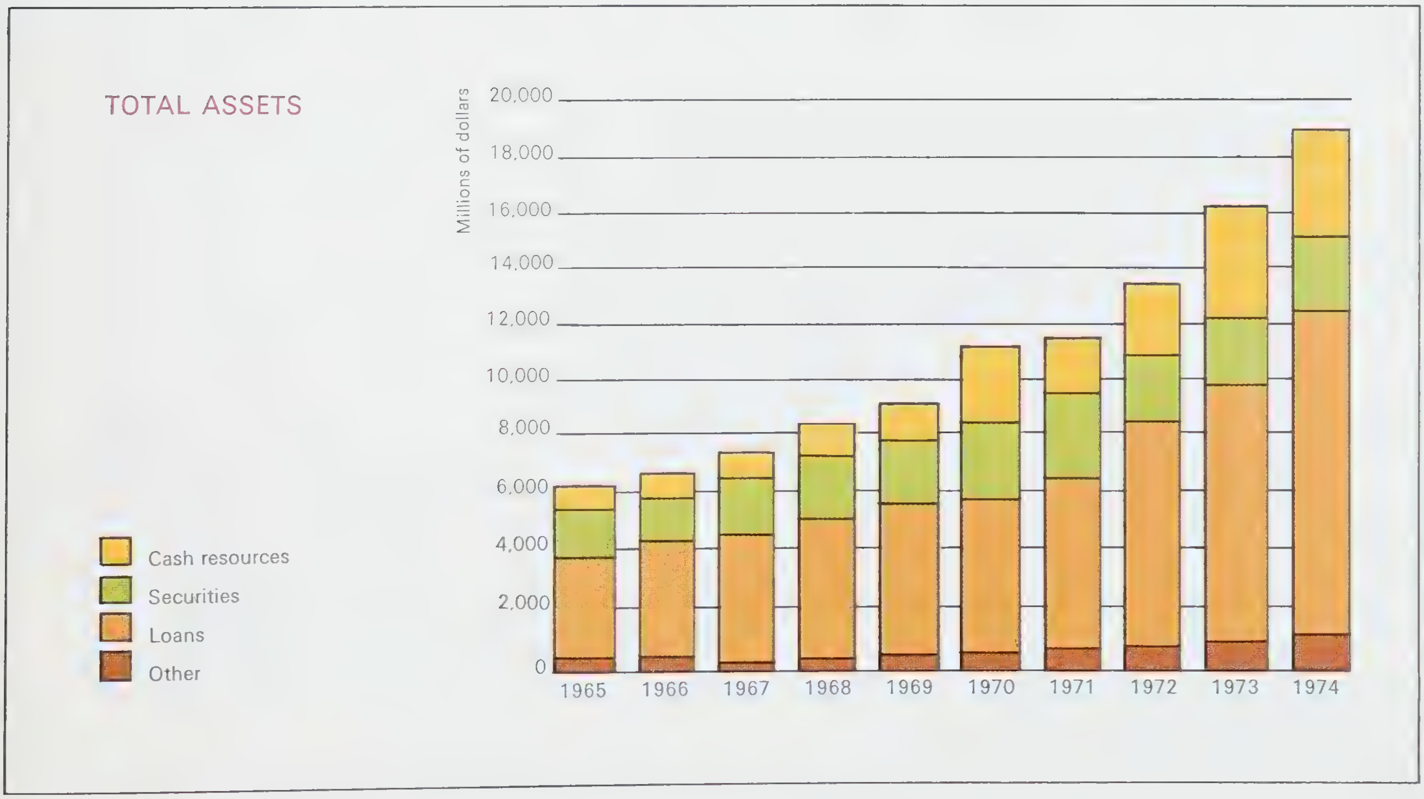
F. S. DUNCANSON
Vice-President and
Regional General Manager
Alberta and Northwest
Territories

W. H. ARMSTRONG
Vice-President and
Regional General Manager
Ontario East and North

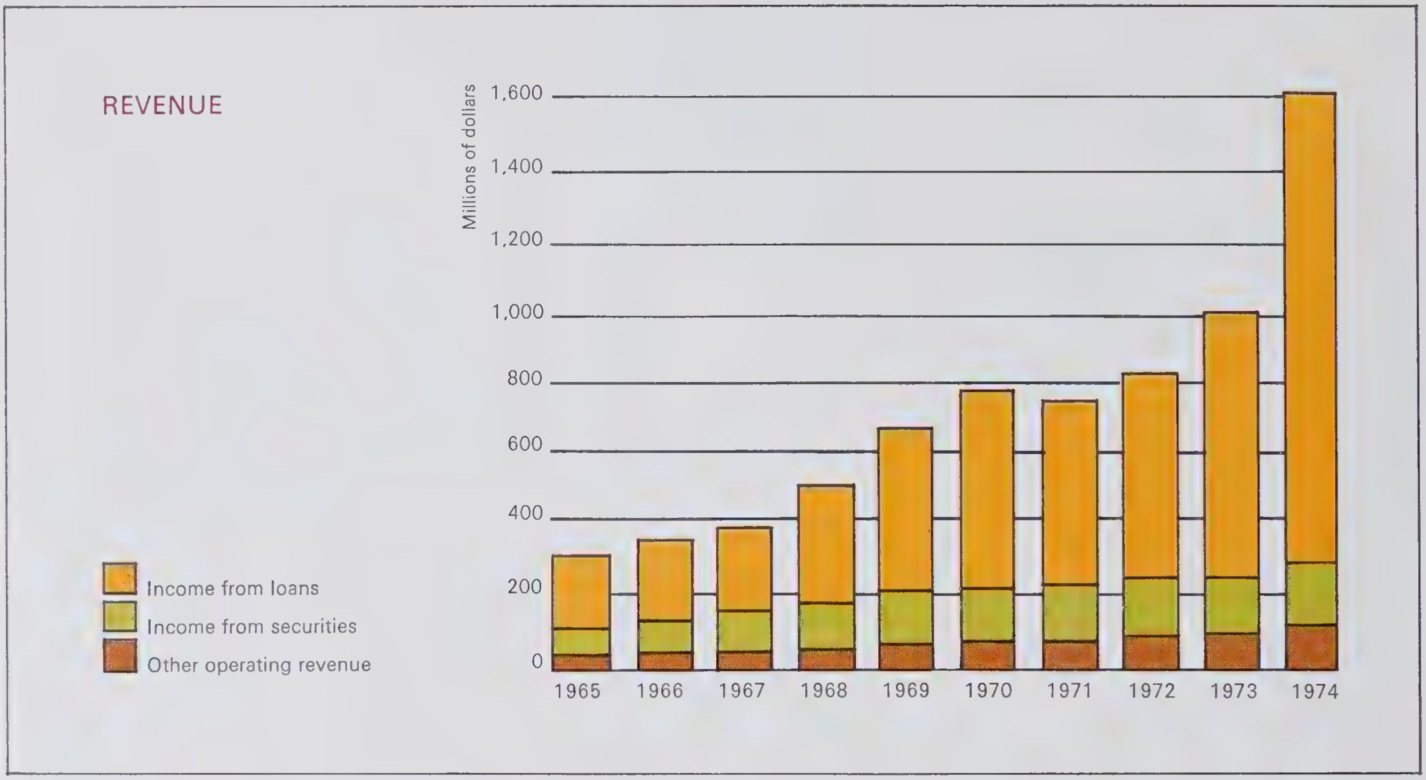
J. A. C. HILLIKER
Senior Vice-President and
Regional General Manager
British Columbia and
Yukon Territory

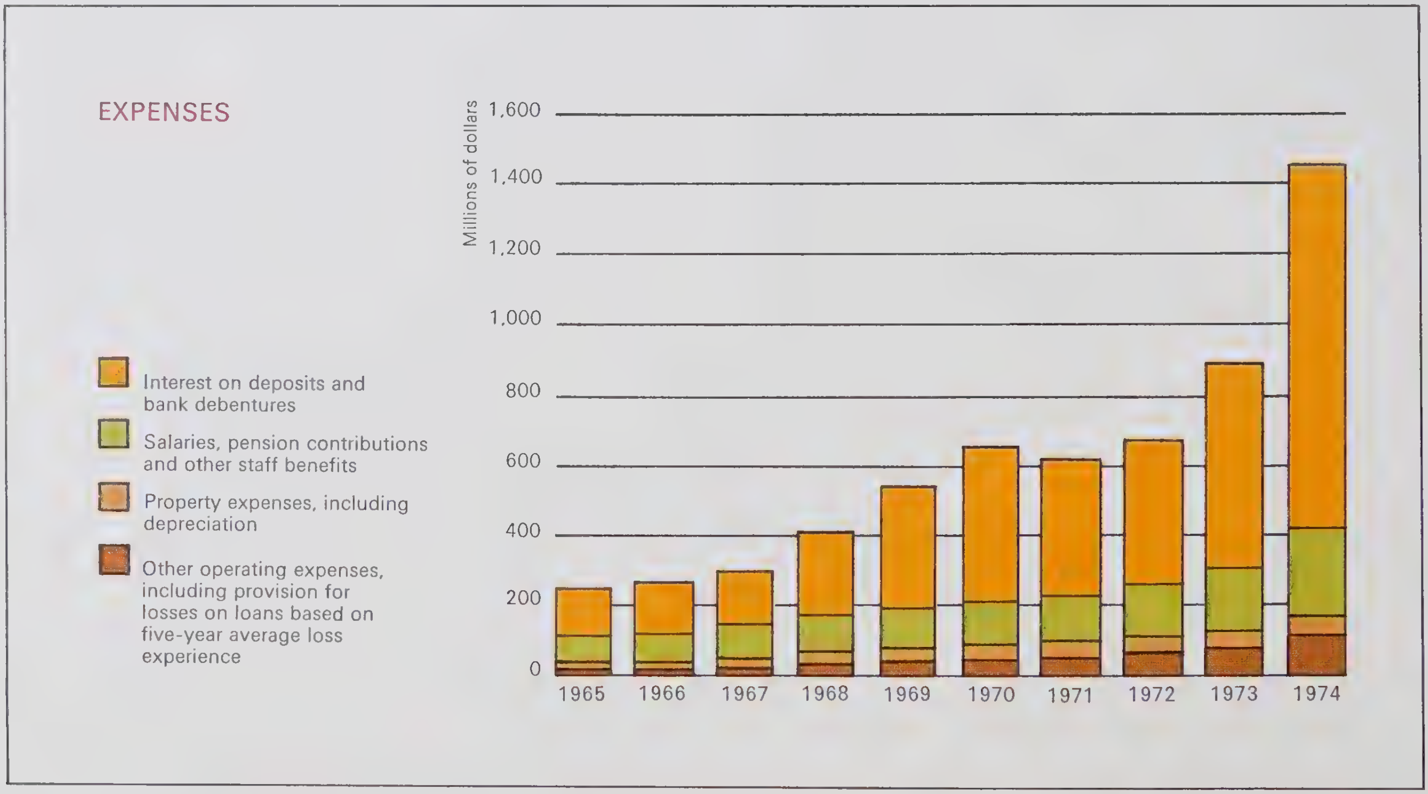


SOURCE OF REVENUE IN 1974
Income from services
6.8%
Income from securities
10.6%
82.6%
Income from loans and deposits with other banks
DISTRIBUTION OF REVENUE IN 1974
Appropriation for losses
Dividends to shareholders
Retained
2.3%
2.4%
1.4%
Income taxes
6.3%
Other operating costs
10.2%
62.8%
14.6%
Salaries and personnel benefits
Interest on deposits and debentures

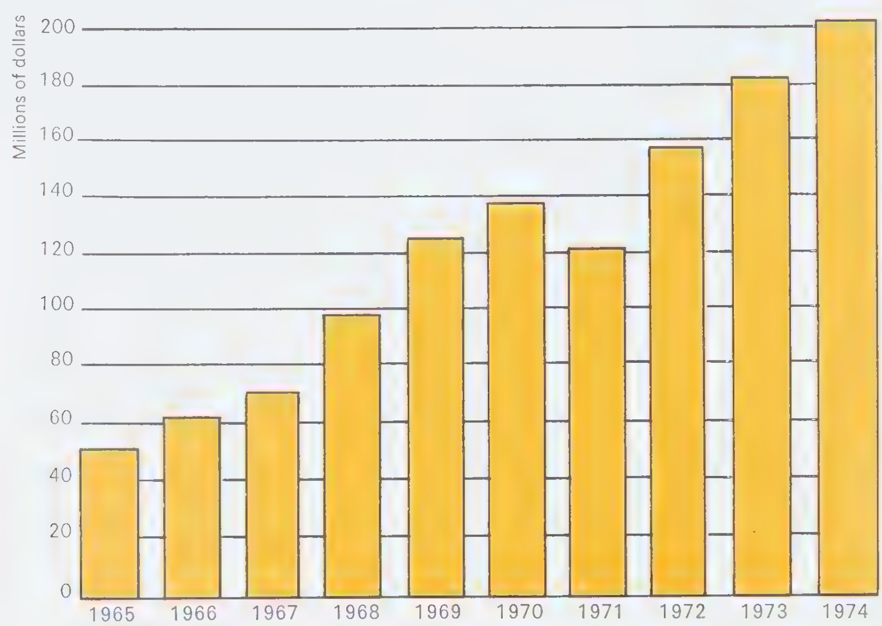


TOTAL ASSETS
Millions of dollars
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
1965
1966
1967
1968
1969
1970
1971
1972
1973
1974
Cash resources
Securities
Loans
Other

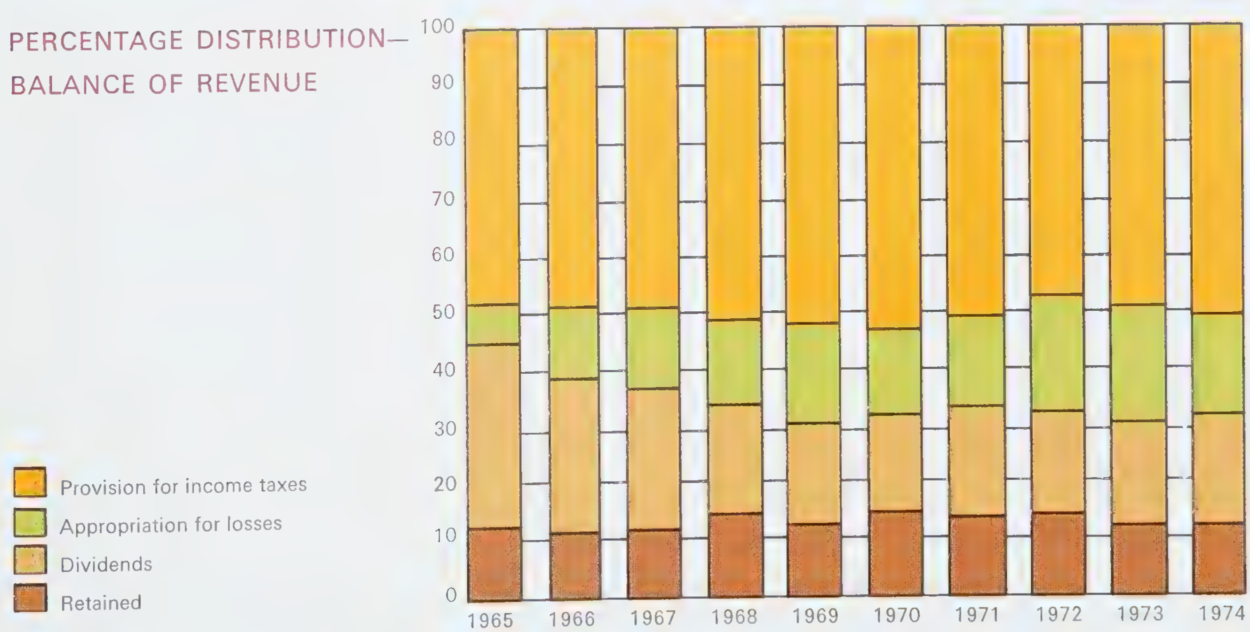

REVENUE
Millions of dollars
1,600
1,400
1,200
1,000
800
600
400
200
0
Income from loans
Income from securities
Other operating revenue
1965
1966
1967
1968
1969
1970
1971
1972
1973
1974


EXPENSES
Millions of dollars
1,600
1,400
1,200
1,000
800
600
400
200
0
Interest on deposits and bank debentures
Salaries, pension contributions and other staff benefits
Property expenses, including depreciation
Other operating expenses, including provision for losses on loans based on five-year average loss experience
1965
1966
1967
1968
1969
1970
1971
1972
1973
1974

BALANCE OF REVENUE



PERCENTAGE DISTRIBUTION— BALANCE OF REVENUE



CANADIAN IMPERIAL
BANK OF COMMERCE

Statement of Assets and Liabilities

as at October 31, 1974

ASSETS	1974	1973
Cash and due from banks	**$ 3,295,287,155**	$ 3,509,979,202
Cheques and other items in transit, net	**543,182,861**	390,316,192
Total cash resources	**3,838,470,016**	3,900,295,394
Securities issued or guaranteed by Canada, at amortized value	**1,911,404,646**	1,829,128,849
Securities issued or guaranteed by provinces, at amortized value	**64,191,783**	61,519,605
Other securities, not exceeding market value	**636,229,878**	602,284,258
Total securities	**2,611,826,307**	2,492,932,712
Day, call and short loans to investment dealers and brokers, secured	**561,588,307**	267,709,153
Other loans, including mortgages, less provision for losses	**10,948,009,582**	8,716,885,150
Total loans	**11,509,597,889**	8,984,594,303
Bank premises at cost, less amounts written off	**212,730,210**	196,527,621
Securities of and loans to corporations controlled by the bank	**99,628,385**	57,483,923
Customers' liability under acceptances, guarantees and letters of credit, as per contra	**650,092,051**	446,740,953
Other assets	**24,536,327**	23,091,150
	$18,946,881,185	$16,101,666,056

See Notes to the Financial Statements

Auditors' Report to the Shareholders

We have examined the statement of assets and liabilities of Canadian Imperial Bank of Commerce as at October 31, 1974 and the statements of revenue, expenses and undivided profits, accumulated appropriations for losses and rest account for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, November 20, 1974.

LIABILITIES	1974	1973
Deposits by Canada	**$ 288,343,685**	$ 410,509,646
Deposits by provinces	**346,302,456**	573,860,679
Deposits by banks	**2,220,880,047**	1,895,081,827
Personal savings deposits payable after notice, in Canada, in Canadian currency	**7,639,337,875**	5,817,940,735
Other deposits	**6,899,563,247**	6,103,750,353
Total deposits	**17,394,427,310**	14,801,143,240
Acceptances, guarantees and letters of credit	**650,092,051**	446,740,953
Other liabilities	**71,172,784**	52,822,363
Accumulated appropriations for losses	**210,821,954**	205,249,364
Capital Funds:		
Debentures issued and outstanding (Note 3)	**100,000,000**	100,000,000
Capital:		
Authorized—62,500,000 shares of a par value of $2 each		
Issued —34,840,000 shares fully paid up	**69,680,000**	69,680,000
Rest account	**450,000,000**	415,000,000
Undivided profits	**687,086**	11,030,136
Total capital funds	**620,367,086**	595,710,136
	$18,946,881,185	$16,101,666,056

R. E. HARRISON
President
and Chief Operating Officer

R. D. FULLERTON
Executive Vice-President
and Chief General Manager

In our opinion, the foregoing statements present fairly the financial position of the Bank as at October 31, 1974 and the revenue, expenses and undivided profits, accumulated appropriations for losses and transactions in the rest account of the Bank for the year ended on that date.

A. G. WATSON, F.C.A., of Peat, Marwick, Mitchell & Co.
W. H. BROADHURST, F.C.A., of Price Waterhouse & Co.
Auditors

Statement of Revenue, Expenses and Undivided Profits

For the financial year ended October 31, 1974

	1974	1973
Revenue:		
Income from loans	**$1,369,984,826**	$ 825,824,486
Income from securities	**176,499,512**	148,782,875
Other operating revenue	**112,649,482**	96,127,722
Total revenue	**1,659,133,820**	1,070,735,083
Expenses:		
Interest on deposits and bank debentures	**1,041,991,334**	558,454,775
Salaries, pension contributions and other staff benefits	**241,914,012**	192,607,803
Property expenses, including depreciation	**64,486,423**	58,189,600
Other operating expenses, including provision for losses on loans based on five-year average loss experience (Note 2)	**104,612,701**	80,054,789
Total expenses	**1,453,004,470**	889,306,967
Balance of revenue	**206,129,350**	181,428,116
Provision for income taxes relating thereto (Note 1)	**104,800,000**	88,500,000
Balance of revenue after provision for income taxes	**101,329,350**	92,928,116
Appropriation for losses (Note 2)	**38,000,000**	38,000,000
Balance of profits for the year	**63,329,350**	54,928,116
Dividends	**38,672,400**	33,446,400
Amount carried forward	**24,656,950**	21,481,716
Undivided profits at beginning of year	**11,030,136**	9,548,420
Transfer from accumulated appropriations for losses	**—**	15,000,000
	35,687,086	46,030,136
Transferred to rest account	**35,000,000**	35,000,000
Undivided profits at end of year	**$ 687,086**	$ 11,030,136

Statement of Rest Account

For the financial year ended October 31, 1974

	1974	1973
Balance at beginning of year	**$ 415,000,000**	$ 380,000,000
Transfer from undivided profits	**35,000,000**	35,000,000
Balance at end of year	**$ 450,000,000**	$ 415,000,000

See Notes to the Financial Statements

Statement of Accumulated Appropriations for Losses

For the financial year ended October 31, 1974

	1974	1973
Accumulated appropriations at beginning of year:		
General	**$108,500,041**	$115,482,596
Tax-paid	**96,749,323**	73,336,850
Total	**205,249,364**	188,819,446
Appropriation from current year's operations (Note 2)	**38,000,000**	38,000,000
Loss experience on loans less provision included in other operating expenses	**(5,624,487)**	(1,359,975)
Profits and losses on securities, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market	**(26,772,430)**	(5,332,058)
Other profits, losses and non-recurring items, net	**(30,493)**	321,951
Provision for income taxes, including credit of $ nil relating to appropriation from current year's operations (Note 1)	—	(200,000)
Transferred to undivided profits	—	(15,000,000)
Accumulated appropriations at end of year	**210,821,954**	205,249,364
Accumulated appropriations at end of year:		
General	**88,865,276**	108,500,041
Tax-paid	**121,956,678**	96,749,323
Total	**$210,821,954**	$205,249,364

Notes to the Financial Statements

1. The Federal Budget of November 18, 1974 includes proposals for a surtax on corporate profits from May 1, 1974 and for a reduction in the allowable level of accumulated general appropriations of banks which, if they become law, will affect the income taxes payable by the Bank for the year ended October 31, 1974. The effect of these proposals has been reflected in the provision for income taxes for the year, which is included in the financial statements as follows:

	1974	1973
Statement of Revenue, Expenses and Undivided Profits	**$104,800,000**	$ 88,500,000
Statement of Accumulated Appropriations for Losses	—	200,000
Total provision for income taxes	**$104,800,000**	$ 88,700,000

2. A provision on account of losses incurred on loans is included in other operating expenses based on a formula which takes into account the loss experience over the past five years.

In addition to the provision for losses included in other operating expenses, an appropriation is made out of earnings at each year-end to provide for losses not yet known which may be incurred on realization of existing loans, together with possible losses on securities and other assets.

3. Debentures issued and outstanding comprise—

	1974	1973
(a) 7¼% Debentures maturing December 15, 1992 (the holder of any debenture may elect that such debenture mature on December 15, 1978)	**$ 50,000,000**	$ 50,000,000
(b) 7½% Debentures maturing May 15, 1993 (the holder of any debenture may elect that such debenture mature on November 15, 1979)	**50,000,000**	50,000,000
	$100,000,000	$100,000,000

4. The financial statements include the assets and liabilities and results of operations of California Canadian Bank, a wholly owned subsidiary.

Statements of Assets and Liabilities of Controlled Corporations

as at October 31, 1974

THE CANADIAN BANK OF COMMERCE TRUST COMPANY, NEW YORK

(in United States Dollars)

ASSETS

Due from banks in the United States of America	$ 1,895,032
Securities of the United States of America and accrued interest	283,414
Other securities and accrued interest	3,128,013
Loans	199,000
Furniture and fixtures less depreciation	2,513
Other assets	26,078
	$ 5,534,050

LIABILITIES

Deposits payable		$ 2,589,326
Accounts and taxes payable		97,097
Capital	$1,000,000	
Reserve fund	1,000,000	
Undivided profits	847,627	2,847,627
		$ 5,534,050

The Bank owns the entire capital stock of The Canadian Bank of Commerce Trust Company with the exception of the directors' qualifying shares, which is included in its statement of assets and liabilities at Can. $1,955,499.

CANADIAN IMPERIAL BANK OF COMMERCE TRUST COMPANY (CAYMAN) LIMITED

including its wholly owned subsidiary companies
(in Cayman Island Dollars)

ASSETS

Cash and due from banks	$ 4,737,113
Loans and accounts receivable	7,142,831
Fixed assets less depreciation	1,093,626
Other assets	12,045
	$12,985,615

LIABILITIES

Deposits payable		$10,924,738
Accounts and taxes payable		50,799
Capital	$1,800,000	
Undivided profits	210,078	2,010,078
		$12,985,615

The Bank owns the entire capital stock of Canadian Imperial Bank of Commerce Trust Company (Cayman) Limited, which is included in its statement of assets and liabilities at Can. $2,130,300.

COMMERCE INTERNATIONAL TRUST LIMITED

(in Pounds Sterling)

ASSETS

Cash	£ 119,584
Accounts receivable	365,634
Loans	20,941,389
	£21,426,607

LIABILITIES

Canadian Imperial Bank of Commerce		£20,941,389
Accounts and taxes payable		434,019
Capital	£ 100	
Undivided profits	51,099	51,199
		£21,426,607

The Bank owns the entire capital stock of Commerce International Trust Limited, which is included in its statement of assets and liabilities at Can. $230.

CANADIAN IMPERIAL BANK OF COMMERCE TRUST COMPANY (BAHAMAS) LIMITED

(in Bahamian Dollars)

ASSETS		LIABILITIES		
Cash and due from banks	$ 671,259	Deposits payable		$ 381,883
Accounts receivable	9,118	Capital	$300,000	
Fixed assets less depreciation	4,913	Undivided profits	3,407	303,407
	$ 685,290			$ 685,290

The Bank owns the entire capital stock of Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited, which is included in its statement of assets and liabilities at Can. $295,980.

THE DOMINION REALTY COMPANY LIMITED

including its wholly owned subsidiary companies

ASSETS		LIABILITIES		
Cash on deposit	$ 1,002,477	Accrued interest and other liabilities		$ 3,508,761
Other assets	124,732	Notes payable:		
Land and buildings less depreciation	107,771,763	1975-1991 (U.S. $40,000,000)		40,852,500
		1981-1991		18,000,000
		Capital	$44,000,000	
		Surplus	2,537,711	46,537,711
	$108,898,972			$108,898,972

The Bank owns the entire capital stock of The Dominion Realty Company Limited, which is included in its statement of assets and liabilities at $44,000,000.

IMBANK REALTY COMPANY LIMITED

ASSETS		LIABILITIES		
Land and buildings less depreciation	$ 6,141,144	Canadian Imperial Bank of Commerce		$ 308,146
		Accrued interest and other liabilities		67,483
		First mortgage bonds:		
		Series B, 1975-1980		2,250,000
		Capital	$2,750,000	
		Surplus	765,515	3,515,515
	$ 6,141,144			$ 6,141,144

The Bank owns the entire capital stock of Imbank Realty Company Limited, which is included in its statement of assets and liabilities at $2,750,000.

AUDITORS' REPORT TO THE SHAREHOLDERS OF THE BANK

We have examined the statements of assets and liabilities of controlled corporations of Canadian Imperial Bank of Commerce as at October 31, 1974. Our examinations included general reviews of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying statements of assets and liabilities present fairly the financial positions of the corporations as at October 31, 1974.

A. G. WATSON, F.C.A. of Peat, Marwick, Mitchell & Co.
W. H. BROADHURST, F.C.A. of Price Waterhouse & Co. } Auditors

Toronto, November 20, 1974

Ten-Year Statistical Review
(thousands of dollars)

REVENUE, EXPENSES AND UNDIVIDED PROFITS	1974	1973	1972
REVENUE			
Income from loans	**$1,369,985**	$ 825,824	$590,428
Income from securities	**176,499**	148,783	159,611
Other operating revenue	**112,649**	96,128	84,632
Total Revenue	**$1,659,133**	$1,070,735	$834,671
EXPENSES			
Interest on deposits and bank debentures	**$1,041,991**	$ 558,454	$408,392
Salaries, pensions, and other staff benefits	**241,914**	192,608	154,129
Property expenses	**64,486**	58,190	53,226
Other operating expenses	**104,613**	80,055	63,694
Total Expenses	**$1,453,004**	$ 889,307	$679,441
Balance of revenue	**$ 206,129**	$ 181,428	$155,230
Provision for income taxes relating thereto	**104,800**	88,500	73,000
Balance of revenue after income taxes	**101,329**	92,928	82,230
Appropriation for losses	**38,000**	38,000	33,000
Balance of profits	**63,329**	54,928	49,230
Dividends	**38,672**	33,446	27,872
Amount carried forward	**24,657**	21,482	21,358
Undivided profits at beginning of year	**11,030**	9,548	8,190
Transfer from accumulated appropriations for losses	—	15,000	10,000
	35,687	46,030	39,548
Transferred to rest account	**35,000**	35,000	30,000
Undivided profits at end of year	**$ 687**	$ 11,030	$ 9,548
PER SHARE (in dollars)			
Balance of revenue, after taxes	**$ 2.91**	$ 2.67	$ 2.36
Balance of profits	**1.82**	1.58	1.41
Dividends	**1.11**	.96	.80

Note: For purposes of this Review, certain financial statement captions have been abbreviated, and amounts shown for earlier years have been restated where necessary to conform to the presentation used in 1974.

1971	1970	1969	1968	1967	1966	1965
$516,505	$572,999	$466,308	$328,457	$245,306	$221,761	$192,909
162,206	140,297	132,115	115,623	88,933	75,608	69,077
72,853	74,523	69,990	59,663	51,751	42,540	38,782
$751,564	$787,819	$668,413	$503,743	$385,990	$339,909	$300,768
$393,589	$441,142	$349,892	$238,050	$167,234	$146,216	$125,743
138,566	127,289	121,207	105,166	90,493	81,299	73,380
45,599	39,286	33,717	28,725	25,701	24,143	22,974
51,572	43,083	38,346	35,573	31,005	25,526	26,044
$629,326	$650,800	$543,162	$407,514	$314,433	$277,184	$248,141
$122,238	$137,019	$125,251	$ 96,229	$ 71,557	$ 62,725	$ 52,627
61,300	71,500	65,000	49,600	35,300	30,600	25,700
60,938	65,519	60,251	46,629	36,257	32,125	26,927
20,000	22,000	22,000	13,700	9,681	7,651	3,623
40,938	43,519	38,251	32,929	26,576	24,474	23,304
25,085	23,691	22,994	19,859	18,117	17,072	17,072
15,853	19,828	15,257	13,070	8,459	7,402	6,232
7,337	2,509	1,252	3,182	4,723	2,321	3,089
10,000	10,000	11,000	—	5,000	—	28,000
33,190	32,337	27,509	16,252	18,182	9,723	37,321
25,000	25,000	25,000	15,000	15,000	5,000	35,000
$ 8,190	$ 7,337	$ 2,509	$ 1,252	$ 3,182	$ 4,723	$ 2,321
$ 1.75	$ 1.88	$ 1.73	$ 1.34	$ 1.04	$ .92	$ .77
1.18	1.25	1.10	.95	.76	.70	.67
.72	.68	.66	.57	.52	.49	.49

Ten-Year Statistical Review
(thousands of dollars)

ASSETS AND LIABILITIES AS AT OCTOBER 31	1974	1973	1972
ASSETS			
Cash resources	$ 3,838,470	$ 3,900,295	$ 2,495,251
Securities	2,611,826	2,492,933	2,556,442
Loans	11,509,598	8,984,594	7,611,469
Bank premises	212,730	196,528	180,471
Other assets	774,257	527,316	457,178
Total	$18,946,881	$16,101,666	$13,300,811
LIABILITIES			
Deposits	$17,394,427	$14,801,144	$12,205,229
Sundry liabilities	721,265	499,563	447,535
Accumulated appropriations for losses	210,822	205,249	188,819
Capital funds:			
Debentures	100,000	100,000	—
Shareholders' equity	520,367	495,710	459,228
Total	$18,946,881	$16,101,666	$13,300,811

ACCUMULATED APPROPRIATIONS FOR LOSSES			
Accumulated appropriations at beginning of year	$ 205,249	$ 188,819	$ 166,731
Additions (deductions) during year:			
Current year's appropriation	$ 38,000	$ 38,000	$ 33,000
Losses on loans under (over) five-year average	(5,624)	(1,360)	(3,811)
Profits and losses on securities	(26,772)	(5,332)	1,082
Other profits and losses, (net)	(31)	322	2,117
Provision for income taxes	—	(200)	(300)
Transferred to undivided profits	—	(15,000)	(10,000)
	$ 5,573	$ 16,430	$ 22,088
Accumulated appropriations at end of year:			
General	$ 88,865	$ 108,500	$ 115,482
Tax-paid	121,957	96,749	73,337
Total	$ 210,822	$ 205,249	$ 188,819

Note: For purposes of this Review, certain financial statement captions have been abbreviated or grouped, and amounts shown for earlier years have been restated where necessary to conform to the presentation used in 1974.

1971	1970	1969	1968	1967	1966	1965
$ 2,044,230	$ 2,812,703	$1,623,306	$1,014,355	$ 973,993	$ 749,851	$ 715,830
2,864,300	2,514,860	2,108,971	2,392,295	1,979,453	1,715,320	1,745,149
5,939,516	5,242,014	5,090,629	4,617,883	4,213,008	3,888,976	3,503,765
132,646	110,439	88,596	81,009	77,132	75,217	73,025
419,568	370,567	288,478	237,569	237,996	261,278	269,161
$11,400,260	$11,050,583	$9,199,980	$8,343,111	$7,481,582	$6,690,642	$6,306,930
$10,419,308	$10,180,598	$8,397,795	$7,623,000	$6,811,121	$6,024,672	$5,637,417
386,351	320,165	286,435	233,209	227,596	250,792	258,987
166,731	147,803	143,561	140,970	110,003	95,775	98,525
—	—	—	—	—	—	—
427,870	402,017	372,189	345,932	332,862	319,403	312,001
$11,400,260	$11,050,583	$9,199,980	$8,343,111	$7,481,582	$6,690,642	$6,306,930
$ 147,803	$ 143,561	$ 140,970	$ 110,003	$ 95,775	$ 98,525	$ 99,980
$ 20,000	$ 22,000	$ 22,000	$ 13,700	$ 9,681	$ 7,651	$ 3,623
(8,653)	(5,359)	1,703	2,746	1,695	847	2,594
18,108	(1,941)	(8,063)	1,062	(297)	(15,612)	17,205
(527)	(158)	451	(441)	(51)	164	23
—	(300)	(2,500)	13,900	8,200	4,200	3,100
(10,000)	(10,000)	(11,000)	—	(5,000)	—	(28,000)
$ 18,928	$ 4,242	$ 2,591	$ 30,967	$ 14,228	$ (2,750)	$ (1,455)
$ 122,562	$ 116,655	$ 120,317	$ 129,825	$ 100,999	$ 87,469	$ 85,365
44,169	31,148	23,244	11,145	9,004	8,306	13,160
$ 166,731	$ 147,803	$ 143,561	$ 140,970	$ 110,003	$ 95,775	$ 98,525

Profile on Customer Services

Banking is an increasingly competitive business in this country and internationally. To achieve continued growth in today's fast-moving, economic-social-political environment, a bank must be prompt to recognize and take full advantage of prevailing opportunity. It must not only be aware of conditions in the marketplace today; it must endeavour to anticipate what consumers' requirements will be tomorrow. It must always be sensitive to customers' needs and respond with services that are more convenient, more efficient, more comprehensive.

The Commerce has a record of innovation and leadership in consumer services, first offering personal loans in the 1930s and, in recent years, introducing customized personal cheques, bilingual travellers' cheques, and the Chargex card. With these new services, came equally advanced support resources in terms of new techniques, methods, systems, and equipment. For instance, the Commerce was the first bank in Canada to adopt data processing on a large scale. Concurrently came the general and continued improvement of our skills, through extensive training and education, as well as the addition of highly-qualified specialists.

Despite remarkable and expanding advances in technology, the essential ingredient in the Commerce's success has been, and always will be, its personnel. All the technical innovation in the world amounts to nothing without people—people with initiative, imagination, integrity, ideas and another important element, particularly in a large organization, teamwork.

The development of two innovative customer services, 24-Hour Cash dispenser and Commerce Key Account, points up the effective teaming of technology with "people resources".

We live in an age of spectacular technological innovation, an age in which an increasingly sophisticated public accepts lunar landings, satellite photo expeditions to Mars and Venus and instant, world-wide television transmission of momentous events, almost as a matter of routine. It is an increasingly knowledgeable public, more aware of its power in the marketplace and willing to use that power, particularly through government and group action, to influence business. It is a mobile public, accustomed to a fast-moving way of life—instant food, all manner of comforts at the flick of a switch, immediate service with a minimum of inconvenience. It is a public fully expecting, and prepared to demand, the highest level of performance and service from business, including banks.

24-Hour Cash

Research showed that this public would welcome an extension of the usual bank hours, especially "after-hours" access to cash. In 1966, Bank executives began working with a Canadian firm to find the answer. The design of a unit was commissioned, which would provide customers with cash at any time of the day or night.

After extensive testing, the 24-Hour Cash dispenser was introduced in 1969 with the installation of 10 units in Metropolitan Toronto locations. The insertion of a specially coded card and the keying in of a confidential number enabled customers to obtain cash in packages of $30. These cash withdrawals were automatically debited to the customers' chequing or savings accounts.

Customer response to this unique service was excellent and often the capacity of our cash dispenser units was strained. Early in 1972, a "second generation" unit, with 10 times the capacity of the first cash dispenser, and the added feature of allowing cash advances against Chargex accounts, replaced those in Toronto.

Meet Herb and Shirley Walker, cycling on a country road near their home with their children, Tom and Karen. In many ways the lively, energetic Walkers are typical of the 150,000 Canadian families who have strengthened their Commerce connection during the past year through the acquisition of a Commerce Key Account.

Herb and Shirley have done their personal and business banking at the Commerce for 10 years and, during that time, they made use of a great many of the customer services, which have now been consolidated in the efficient package called Key Account. The photos and captions on the following pages give some insights into why this comprehensive account works so well for the Walkers.

Herb Walker owns and operates a 55-foot diesel tractor-trailer, making frequent long-distance runs with lumber as far south as Tennessee and as far west as the Mississippi River. To keep the family budget and their business books in good order, Herb and Shirley Walker regularly go over their accounts at the kitchen table. "When we first heard of Key Account we did not hesitate because we figured it was a good buy," says Shirley. "It is convenient, with so many services in the one package. It simplifies the bookkeeping on our personal accounts. And yet, its basic cost per month is less than the service charges used to be on our cheques alone."

Later in the year, coverage was expanded with the addition of 14 units in the greater Toronto area. We also introduced 24-Hour Cash to Montreal in July, 1972 (13 locations) and in Vancouver in March, 1973 (10 locations). While the units are used largely in off-banking hours, many customers use 24-Hour Cash dispenser to avoid lineups at busy branches during regular bank hours. And although the highly sophisticated nature of these units has presented some operational problems, we are pressing forward with solutions in response to strong customer demand.

Current plans are to expand the 24-Hour Cash service to additional cities. As for the future, there is a "third generation" unit in test which will offer added services and be capable of link-up with the Bank's computer data centres and, eventually, with the emerging electronic funds transfer system.

Payment Systems

Canadians now write some 1.8 billion cheques a year, a volume which is expected to double within the next decade. The two substantial Bank costs involved are the cost of handling cheques as pieces of paper and the cost of the "float"—payments that "float" in the banking system for several days and can amount to about $1,200 million at any one time. Cost projections for cheque handling and float over the next 10 years are startling.

Research showed that Canadians might be receptive to less extensive use of cheques as a payment medium and, instead, make greater use of electronic techniques to transfer money and conduct other financial transactions. Several factors—inconvenience of cashing personal cheques at branches other than those regularly used by customers, varying service charges for different kinds of accounts and services, and questions about the multiplicity of services available—made it clear that the progression towards an electronic funds transfer system was necessary, along with some simplification and rationalization of consumer services.

The story of Commerce Key Account commences with continuing market research to identify the changing needs of Canadians, to improve existing

services, and to find new and practical ways of serving the public. The Bank works closely with professional research organizations, which conduct consumer interviews and, most important, it examines closely the many suggestions stemming directly from customers.

The premise always is: What are our customers looking for? From this continual examination came the concept of the national application of Commerce Key Account.

Commerce Key Account

Once the situation was analyzed and the need determined, Special Services Development Department, with the subsequent involvement of other departments, set out to find an answer that met the criteria of innovation and validity. They began by evaluating the systems of other financial institutions. They considered the consumer research. Then, from assembled information and the teamwork of a large number of personnel from many departments, there evolved the concept of a multi-service package, combined with a cheque-cashing identity card, for a single, low, monthly charge.

More research was necessary to determine answers to some vital questions. What would be the customers' reaction to the idea? What services should be included? What was the right price for the package and what was the best name for it?

Customers told us the major features of the package, such as unlimited cheque writing and "any branch" cheque cashing, were regarded most favourably.

The array of services, which finally comprised the package, offers the consumer two major advantages—cost and convenience. In essence, with no other identification required and for a flat rate of $2.50 monthly, the new card entitles the holder to: Cash a personal cheque for up to $100 at any branch in Canada; purchase travellers' cheques, domestic money orders or drafts; pay utility bills; make a deposit at any Commerce branch for transfer to the customer's own branch; receive and write a supply of fully personalized custom cheques; make regular automatic transfers from a personal chequing account to a Commerce savings plan of the customer's choice; use the 24-Hour Cash service in areas where it is available;

The Walker family has had a Commerce Chargex card for a number of years and has found it an excellent support in emergencies and, with Herb and his truck on the road so much, it means he does not have to carry around a lot of cash. "I took the family on a Thanksgiving weekend combined with a lumber run to Tennessee," recalls Herb. "While there we decided to rent a car and visit the Grand Old Opry in Nashville, so I used Chargex. There was no problem because it is interchangeable in the United States."

There is a lot of togetherness in the Walker family—at home or on the road. They have used Commerce Bankplan loans to help them pay for some major items on an orderly, budgeted basis, such as their travel trailer, pickup truck, car, and, even, the down payment for the new house of which they are very proud. As Herb says: "Key Account gives us preferred rates on loans and that appeals to me because we make so much use of Bankplan."

and obtain a preferred rate of interest on most types of Commerce Bankplan loans.

In view of our belief that the new package was to be the "key" to many of the significant changes which lie ahead for banking, we ultimately chose the name—Commerce Key Account.

By the time everything was in place for the "launch", almost all Commerce departments had become involved and more than 100 bank officers were working on the project.

Suddenly, the teamwork that had gone into bringing a fresh idea to the brink of implementation was subjected to an unexpected challenge and, under the pressure of time, was to demonstrate clearly that the Bank could move swiftly and imaginatively to meet competition.

For a variety of reasons, a decision had been made for a January, 1974 launch date. While the Commerce was aware that other major banks were working along similar lines, it became apparent that a competitor was endeavouring to pre-empt our introduction.

The Bank decided to introduce Commerce Key Account without delay. Publicity, branch information and advertising materials were swiftly assembled and dispatched. On October 1, 1973, the Commerce became the first Bank to offer this new type of service on a national scale.

Public and customer acceptance was quickly apparent. By fiscal year-end, October 31, 1974, there were more than 150,000 Commerce Key Account card holders across Canada, an average of nearly 600 Key Accounts every banking day. A satisfying number of them are new customers, and some 40% are new Chargex card holders, as well.

In the search for improvements, the Commerce is also issuing a customized cheque in black and gold, matching the design of the card, which identifies the user as a special customer of the Bank.

While there is no doubt the introduction of Key Account is destined to have a far-reaching influence on the shape of banking in the future, at this point the possibilities are somewhat conjectural. They could include the ability to analyze and provide for the customer's total financial needs, with transactions completed against credit balances or pre-arranged lines of credit, thus providing a family with Bank assistance in the lifetime planning and management of finances.

Another possibility is that individual customers, as well as banks and merchants, could be "on-line" to a vast computer network. A customer's future Key Account card would unlock this network to verify accounts and balances, to determine if pay has been credited and, even, to have personal loans approved.

Looking even further into the future, a Key Account card might be inserted into a slot in the customer's home telephone which would read the card and automatically dial the Bank. By keying in a confidential number, one could then ask the computer any question about one's finances. Also, there could be point-of-sale services in stores into which a Key Account card would be inserted when a purchase is made and the merchant's account automatically credited, and the card holder's account debited with the amount of the purchase.

All of this is technically possible right now. And, in the foreseeable future, a customer may need only two cards—a debit card, Key Account, and a charge card, Chargex.

In the end, of course, the shape of future banking services will be determined not by bankers or technical experts, but by what the public wants from banking. Dramatic changes are bound to come in response to the increasing sophistication of the Canadian public, which is reflected in growing recognition of the benefits of the debit card. What is even more certain is that the public wants efficiency and convenience.

Registered Savings Plan

Following its tradition of meeting the financial needs of its customers, the Commerce introduced

The Walkers are an active and mobile family, and they like to spend a lot of time in the great outdoors. Being away from home means that occasionally they run short of cash and that is when they put Key Account or Commerce Chargex to work.

"Shirley and the kids were spending the summer before last at a provincial park, while I commuted," Herb recalls. "Something cropped up and we needed some money in a hurry. I got it at a nearby Commerce branch on Chargex and it was a lifesaver. Now our Key Account guarantees a $100 advance anytime we need it, at any Commerce branch across the country. It is a nice kind of insurance to carry in your pocket."

The Walkers have been Commerce customers for 10 years now and for the past five they have been doing business with manager J. L. Szaz. "Even though his branch is seven miles from our new home, we would not dream of switching to the one close by," says Herb Walker. "He is always there with a smile, sound advice and practical help whenever we need it. He is not just our banker—he is our friend."

another service called "SMART", in December, 1974. This is a government-registered savings plan which enables a person to "Save Money And Reduce Taxes" by deducting SMART contributions from current income and deferring payment of taxes on savings accumulated under the plan. Once again, the new Registered Savings Plan is the product of extensive research and planning involving many Commerce people and departments.

The plan offers two options. The SMART Deposit Plan is a special savings account with the interest rate determined semi-annually to reflect prevailing financial conditions. Interest is paid twice a year, at the end of June and December. The interest rate is guaranteed for six months, once it has been set, and the compounding factor is a significant advantage.

The second option, the Commerce Income Fund, provides customers with a professionally managed, long-term investment, combining an optimum level of income concurrent with security of invested capital. Income Fund investments also qualify as investments for registered pension plans and deferred profit-sharing plans. The units can be purchased by both organizations and individuals.

A major feature of the SMART plan is the low minimum deposit of $50. This will appeal to people who may not have available a sum large enough to realize a substantial tax benefit, but who can arrange for a regular monthly savings plan or a payroll deduction plan to accumulate a worthwhile amount each year. It is also expected small business owners will find SMART a practical alternative, or supplement, to company pension plans.

SMART Registered Savings Plan, Commerce Key Account and 24-Hour Cash are all examples of how the Bank has identified opportunity and combined human and technological resources to answer customers' needs. We believe that the computer age and its electronic marvels will increasingly relieve the people who work at the Bank of routine jobs and enable them to give each of our customers more personal attention. For the customer, it means better, faster and broader service —a major and constant goal at the Commerce.

CANADIAN IMPERIAL BANK OF COMMERCE

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Cable Address CANBANK, TORONTO, CANADA
Telephone (Area code 416) 862-2211
Telex No. 02-2261 Answer-Back "Canbank Tor"

REGIONAL OFFICES

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Quebec	1155 Dorchester Blvd. W., Montreal, Que.
Ontario Central	Commerce Court, Toronto, Ont.
Ontario East and North	Commerce Court, Toronto, Ont.
Ontario West	Commerce Court, Toronto, Ont.
Main Branch— Commerce Court	Commerce Court, Toronto, Ont.
Manitoba	375 Main Street, Winnipeg, Man.
Saskatchewan	1867 Hamilton Street, Regina, Sask.
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MORE THAN 1600 BRANCHES IN CANADA

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MORE THAN 80 OFFICES OUTSIDE CANADA

CALIFORNIA CANADIAN BANK

(a wholly owned subsidiary)

Head Office: 340 Pine Street, San Francisco, California 94104

Branches in Belmont, Campbell, Concord, El Cajon, Lafayette, Los Angeles, Palo Alto, Pleasant Hill, Sacramento, San Diego, San Francisco, San Jose, San Mateo, San Rafael and Santa Rosa

20 BRANCHES IN CALIFORNIA

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A full range of trust services is available through offices in:

New York, N.Y.	Bridgetown, Barbados
Nassau, Bahamas	Kingston, Jamaica
Georgetown, Grand Cayman	Port of Spain, Trinidad

and offices of California Canadian Bank

PRINTED IN CANADA

CANADIAN IMPERIAL
BANK OF COMMERCE

CANADA : THE BOND OF OPPORTUNITY

Notes for an address by

J. Page R. Wadsworth,

Chairman and Chief Executive Officer,

Canadian Imperial Bank of Commerce

to

Prince George Chamber of Commerce

Prince George, British Columbia

April 25, 1974

Ladies and Gentlemen :

It is a particular pleasure for me to be here today with you, because I believe it is an important part of my job, not only to have a close and timely reading of the nation's economic pulse, but also to keep in touch with developments in all parts of Canada which, when woven together, become a great and proud fabric. One can say I have been from coast to coast in the month of April, since just a few weeks ago I had the opportunity of taking part in the celebration of Newfoundland's 25th anniversary in Confederation, and today I am with you in Prince George. There is a lot of Canada between Signal Hill in St. John's and Connaught Hill Park here, just as there is a wide range of viewpoints, hope, people and economies, but there is one significant common bond that runs through virtually every community and puts all those great differences in perspective : We are all Canadians and all of us have the chance -- you have the chance right here in Prince George -- to take advantage of our remarkable opportunities and to make our mark. And that is what I would like to talk to you about today - the Canadian opportunity, the British Columbia opportunity, and the Prince George opportunity.

I'd like to take a brief but frank look at our appraisal of the national economy for 1974 because I think you may find it valuable to get our evaluation of what we project is going to happen and why. Then I'd like to look beyond British Columbia to the economic opportunity of the Pacific Rim. This is an area whose influence and impact on Canada, and in particular on British Columbia, grows daily, and one in which we have just begun to exert ourselves with the kind of quality of merchandise and kind of character that is the stamp of Canadians in action.

Then to conclude I would like to take a highlighted look at the opportunities Prince George has the chance to take advantage of and to give you another perspective that you may find interesting.

Our view of the economy is an honest one, and I believe portrays a valid picture of conditions as they exist today. Slower rates of growth and mounting inflationary pressures will prevail in most of the industrialized world this year. Canada won't be insulated from these bleak global trends, but the impact will be considerably less severe here than anywhere else in the world. I expect our economic growth rate will slow down from the breakneck pace we reached in 1973; at the same time I think we can achieve a sound and encouraging real growth of 5% during this year. Inflation is our greatest problem, but it can and must be attacked. I have heard some people say, and I am sure you have too, that only a miracle can save us from spiralling inflation.

We need some concerted and coordinated government action coupled with sensible and devoted action by business and consumer alike to check inflation, and we already are seeing this to some extent. To rely solely on a miracle reminds me of the story of the young missionary who was sent to Africa on his very first mission; as he walked along the edge of the jungle on his first day a lion bounded right out in front of him and stopped him in his tracks. From the drool on the lion's lips and the hungry glint in his eye the young missionary knew he was being sized up as to tenderness and potential for the next meal. Turning to his fervent religious belief, the young man fell on his knees and prayed for a miracle - "Lord, please purify this lion's thoughts. Amen." He prayed and waited for the miracle to take place, but suddenly the lion snarled and charged headlong at the missionary, but just as he was about to devour him the miracle took hold -

the lion fell to his knees before the missionary and said, "God is great, God is good -- let us thank Him for this food." So much for miracles as the only answer. While the economic slowdown in Canada is related to a corresponding slowdown in our most significant export market as well as the anti-inflationary stance of our monetary policy, the general outlook is still bright for all Canada, east and west, and in particular the west and a Province such as British Columbia. Apart from inflation -- and in no way do I wish to minimize its importance -- our greatest problem is to marshal sufficient resources of manpower, materials and capital to meet the growing domestic and export demands for both primary and secondary products.

Canada is especially fortunate to occupy an important place in the Pacific Rim. The area of the Pacific Rim is now Canada's third largest market and is currently receiving richly deserved and widespread attention as one of the most populous, rapidly growing and rewarding markets in the world. Canadians, Europeans and Americans are actively cultivating the trade potential of the Pacific Rim, which includes the 20 countries of Oceania and East and Southeast Asia. Major world financial institutions, including our Bank, are expanding their international operations in this area, and many countries including Canada are turning to the Pacific Rim, particularly Japan, as a source of financing for planned investment projects over the next few years. I don't want to flood you with statistics, but a few relevant figures are highly illustrative - in 1960 Canada's exports to the Pacific Rim were valued at less than \$3.5 million and accounted only for 7% of Canada's total exports; by 1973 the value of domestic exports to this region had grown to more than \$2.5 billion and the share of the area in Canada's total exports had blossomed to $10\frac{1}{2}$%.

The critical position of trade in the Canadian economic picture, with exports amounting to 21% of our GNP and imports amounting to 20% of our GNP points to the necessity of fully and effectively developing the vast export potential that awaits our efforts on the Pacific Rim. The great and diverse import needs of this area should stimulate us and provide us with the enticing opportunity to diversify our commodity mix of exports. If we conclude that it is important for the well-being of the national economy to strengthen and expand existing markets, then it must be crucial for western Canada, without in any way jeopardizing unique and important trade relationships that currently exist with the United States. But just look at the new plateaux of economic impact I suggest are available for further exploitation and consider that an estimated 80% of Canadian exports to Japan, by far our largest market in the area, are produced in western Canada -- the four western Provinces, the Yukon and the Northwest Territories. The opportunities are still expanding for Canadian exporters and you only have to look at the policy of import liberalization the Japanese have been following in recent years. Take, for example, the lessening of barriers in the traditionally well-protected agricultural and forestry sectors and it is easy to see there is great scope now for increasing our exports from western Canada. My aim is to sow a few seeds of thought with you as businessmen, as members of the Chamber of Commerce, and as members of a demonstrably successful community whose industrial and resource growth has been visionary and booming. I don't want to leave this portion of encouragement without adding another tantalizing prospect for your consideration; the Pacific Rim has a population of approximately one and a quarter billion, with more than 800 million living in the People's Republic of China.

I visited China the year before last and spent a most interesting two weeks in Peking, Shanghai and Canton, now known as Kwangchow. There were just two of us, the head of our international operations, Mr. Bickford, a Senior Vice-President, and myself, and we were guests of the Bank of China. I had never been there before, so I had no benchmark by which to make comparisons, but I came away with the firm impression that the people of China generally are far better off than they ever have been in the past. It is a market of tremendous potential, and will require careful and patient cultivation over a period of time. But let's look, for example, at what has already been happening. Last year our domestic exports to China amounted to just under $300 million and accounted for 11% of our trade with the Pacific Rim. Granted, wheat still dominates our export profile to the area, but the share of wheat in our exports to China has declined from 93% in 1971 to 65% last year. Other commodities, notably nickel and aluminum, have shown sizeable increases and, taking into consideration that China appears to be on a strong growth path, there is an attractive potential for Canadian exporters to further diversify their commodity mix of exports. It would be unrealistic to deny that there are significant constraints to be examined and overcome, but we must take into account that the Chinese have expressed interest - and they certainly did to us when we were there - in increasing their imports of Canadian transportation equipment, mining equipment, petrochemicals and electronic products. In my opinion it will be some time before China becomes a market for a wide range of consumer products. The standard of living is rising, but priority is still being given to those imports which will help China increase her own productive capacity.

An examination of our trade involvement with the Pacific Rim clearly points to massive Canadian export growth. Maintaining our present share of this rapidly expanding market is going to demand a greater effort on our part in the future to match the strong efforts being put forth by some other nations. If we are going to tap the potential that awaits us it is clearly in our best interests to launch a vigorous sales effort and to make a determined bid to develop our trade and investment ties with the Pacific Rim. While a start has been made, much remains to be done.

But what does all this mean to Prince George? I think it means a considerable amount, because this community and its resource rich hinterland are not only playing a substantial role in the economy of western Canada, but are also on the threshold of playing an even more vital role. I don't mean just in the export of your natural resource products to various existing and potential markets. Rather, I am looking to the whole picture which encompasses the utilization and expansion of production facilities in this important area. The role your community has to play in your immediate provincial development and the increasing role you will play in the wise harnessing of the vast north, and the social and industrial development which you will pass through as your city continues to grow, mean you will have a greater impact on the economy of the region, the province and the nation.

Before I arrived today I had heard of some of the impressive advances and developments that have catapulted Prince George ahead in leaps and bounds. Today I have briefly seen some of the housing, shopping malls, office and apartment complexes, new and expanding industries that are making all the old records fall by the wayside.

I have no intention of being patronizing, but it is abundantly clear that it took some considerable vision to get you this far this quickly, and it is going to require some of the same kind of initiative and determination to allow you to capitalize on the future. It is evident that a number of significant booms of rapid but reasoned expansion are helping Prince George climb steadily towards increasing prosperity and recognition. You enjoy an enviable current rate of growth of about 74% per decade; as a city, your average income represents a figure totalling 17% above the national average, and last year your community retail sales market was an impressive 140% above the national average. This, of course, is well-known to all of you, but with a city population now of approximately 40,000 and a greater Prince George population of approximately 60,000, you have created a strong growing local economy, as evidenced by the building permits alone increasing 60% last year to $35 million, and I am informed residential, commercial, industrial and institutional construction are all at new highs. It speaks for itself to note that in the past decade the number of industrial plants has risen by about 32% and the manufacturing payroll has achieved a striking increase of about 550%. At the same time, your location in the middle of the Province has placed you as the gateway to vibrant northern development and expansion. As the service and distribution centre your role is vital in the community, provincial and even national utilization and sound exploitation of our valuable northern resources that commands so much of our attention and on which depends so much of our ability to continue our growth into further prosperity.

I would like to digress for a moment and make comment on your city's ability to reserve space for parks and green areas in an obvious period of intense expansion.

I think you have displayed imaginative and concerned foresight in a time when some cities overlook this important aspect of the social fabric and now find themselves laying artificial grass over asphalt playgrounds. It is pleasant to see what a community can attain when it decides to care a little about the people that live there.

But how do all of these pieces fit together and bind Prince George into the western economic picture, the competitive challenges awaiting in the Pacific Rim market area, and, as an influence in its own way on the Canadian economy as a whole? In my opinion, Prince George represents the fruits of an economic development policy that in many ways stands for a model which we should encourage. You have developed your natural resource-based industry, your employment rate is growing with your population increases, and record levels of prosperity are being attained. Primary industry has been exploited extensively and you are attracting secondary light manufacturing industry. And not to be overlooked is your opportunity to play an important part in the development of the north. I am not saying that your achievements have been easy; I am not saying there haven't been setbacks and mistakes; I am not saying the road will be smooth for you, because there will doubtless be roadblocks and washouts to slow you down. I am saying the opportunity is ripe for Prince George to make a substantial contribution to western Canada and Canada as a whole.

Your achievements rank high and your future is bright, but no one city or area can prosper in isolation. This also applies to any one province, and indeed today to any one country. We often forget that Canada is fortunate to be the one country which does not have to cope directly with some of the major problems facing the rest of the world today, namely overpopulation, shortage

of food, shortage of energy, raw materials and capital. God has been kind to us, and our strength has stemmed from this and working together as Canadians. This is not to say we don't have problems and inequalities, and these are for us to solve, but real advances are continuing to be made. The fact is we all contribute directly and indirectly to each other's progress -- and I mean progress not in the narrow sense of material possessions, but in terms of the whole quality of Canadian life, varied as it is from coast to coast and from southern border to our Arctic shores. I mentioned Newfoundland this year celebrating with pride its entrance into Confederation 25 years ago; certainly this has been helpful to Newfoundland as a whole, but she in turn has made, and will continue to make a growing contribution to Canada as a part of Canada. To stand at the opening anniversary dinner in the Great Hall of the new and growing Memorial University with over 700 singing 'O Canada' could not fail to give one a sense of pride for the wonder that is Canada. We have, and it is good that we have, a growing feeling of Canadian nationalism, whether it be in eastern Canada in a small fishing village or a growing Atlantic port, in central Canada, from a large city to the smallest village, and in western Canada from the areas of the nation's bread-basket to the growing centres related to international trade and the development of energy and other resources. Recently I have made several speeches in the United States and in each case I felt it important to close on a note of Canadian nationalism, in order to stress that we are not anti-American, anti-English, anti-German, anti-French, but more and more we are pro-Canadian, whether our antecedents were British, German, Scandinavian, French, Ukrainian or any other.

We have been using a slogan in our Bank advertising "You and the Commerce, together we're both stronger". I would change this to "You and Canada, together we're all stronger".

Thank you.

THE CANADIAN FINANCIAL SCENE IN 1975

Notes for Remarks by

Russell E. Harrison

President and Chief Operating Officer

Canadian Imperial Bank of Commerce

to the

Hamilton and District Chamber of Commerce

Wednesday, December 4, 1974

For Release : 7.30 p.m., Wednesday, December 4, 1974

Notes for Remarks by Mr Russell E. Harrison,
President and Chief Operating Officer,
Canadian Imperial Bank of Commerce, to the
Hamilton & District Chamber of Commerce in Hamilton
December 4, 1974

The Canadian Financial Scene in 1975

It is an honour and a great pleasure for me to have been invited to be a member of your annual President's Panel. This is all the more so since, as some of you may recall, I lived here in Hamilton for a number of years, while an Assistant Manager with my Bank. I am happy to be back among former friends and colleagues.

My role here is to discuss probable developments in the financial sector of the economy during the coming business year, but before I get into the heart of my subject, I would like to consider for a moment the outlook for the Canadian economy as a whole. Because of the openness of the Canadian economy, we must take a close look at the international scene, if we are to assess correctly our own economic prospects.

There no longer seems to exist any doubt that the main industrialized countries are in the midst of a recession, and the main uncertainty now involves how deep the decline will turn out to be and when recovery will set in. We expect output in the United States to decline again in 1975, following a two per cent drop this year. Overseas, growth in France and Italy is likely to slow in 1975. The United Kingdom and Japan may show only modest growth after steep declines this year, and Germany should also expand rather slowly. Given this weak external environment, Canada is likely to continue to experience a sub-standard trade and general growth performance over the next few quarters.

In fact, several domestic demand elements have already weakened substantially during recent months. Many households have seen their real incomes eroded by higher costs. Consumer prices are running almost 12 per cent above last year and won't slow suddenly. Retail sales appear healthy, but when price inflation is accounted for, real growth has not been great. Housing starts have dropped sharply from their peak because of high prices and interest rates, and sales of household durables have suffered as a consequence. To sum up, uncertainty about the economic outlook, sharply higher energy costs, inflation and high interest rates have undermined business and consumer confidence. Undoubtedly, it is in recognition of these problems that Mr Turner brought down a very expansionary budget. While we would have preferred a budget favouring more investment activity and less consumer spending, there is no doubt that the recent federal budget will help boost economic activity, especially later in 1975, with the stimulus given to consumer spending and housing. We now expect that real GNP will grow by at least three per cent next year, with inflation running in the neighbourhood of 10 per cent.

Financial Sector Outlook

Turning now to the financial scene, one important financial happening over the next few months will undoubtedly, in my opinion, be some further decline in short-term interest rates. With economic activity expanding only slowly and the rate of inventory accumulation abating somewhat, the demand for short-term credit will likely decelerate, relieving pressure on short rates. However, despite our sluggish economy at least until mid-1975, we

anticipate greater over-all (long and short-term) financing requirements next year. This rise in total credit demand will be largely attributable to the effect of price and wage inflation on financing needs. With the increases that have taken place in the prices of consumer durables and of the housing stock, and with the upward trend which continues to occur in construction and production costs, consumer and business borrowers will require loans of higher current dollar value, even if the volume of their transactions were to show no increase at all.

Turning to the various types of financing instruments, there are likely to be some interesting shifts that will affect both the growth and the composition of the assets of the major lending institutions over the next few months. In my own field, the over-all rate of growth of chartered bank Canadian dollar major assets is expected to be less rapid in 1975 than during this past year. The deceleration may be particularly marked with respect to business loans and mortgages. Consumer loans will probably remain fairly buoyant, as people borrow in line with rising personal incomes, and only a slight reduction, if any, is foreseen in this type of lending, as inflation will keep the value of current dollar sales at a fairly high level.

The financing requirements of corporations will again be large, but business firms are expected to rely more on long-term sources of funds, and a shift on their part to bond and equity financing should help in slowing the demand for bank business loans somewhat. The depressed state of the residential construction sector, at least through the first half of 1975, will tend

to slow the growth rate of mortgage loans on new dwelling units by most major financial institutions. In the market for mortgages on existing housing, any increase in the volume of lending will depend on the reaction of buyers to continued high mortgage rates and on the ability of the financial intermediaries to attract an adequate supply of funds to expand their mortgage portfolios. Government sector borrowing will again be very substantial at all levels. The $3 billion cash requirement projected for the 1975/76 fiscal year in the recent federal budget gives some indication of the pressures emerging in this area. And this figure could well be on the low side since federal revenue projections appear to be rather optimistic and there is no allowance for requirements arising out of foreign exchange transactions.

Liquid assets holdings of the banks are slated for quicker growth next year, and I would not be surprised, in view of recent statements by Governor Bouey, if monetary policy continued to be relatively expansionary in 1975. While such a response of the central bank to our current economic slowdown is understandable, it is also in my view rather regrettable, since it will guarantee a continuation of inflation at high rates in years to come.

However, the immediate effect of an increased supply of funds, coupled with a deceleration in business loans, will be to enlarge the chartered bank portfolio of liquid securities. We also foresee a narrowing in the banking system's net deficit position in foreign currency assets. This latter development is likely to take place through a slowdown in the growth rate of foreign currency deposits rather than an acceleration in the acquisition of foreign currency assets.

On the liabilities side, there is likely to be some reduction in the rate of increase of chartered bank total Canadian dollar deposits. We anticipate a substantial deceleration in the growth of personal savings deposits, but demand deposits are expected to rebound from this year's slow growth. To provide you with a feel for recent deposit behaviour, I might mention that, over the past twelve months, personal savings grew at a rate in excess of 30 per cent -- almost twice the historical rate of increase. Two factors account for this development: the rapid escalation of yields on savings deposits, and the extensive redemption of the relatively unattractive 1973 and 1974 series of Canada Savings Bonds. The anticipated decrease in interest rates paid on savings deposits and competition from other instruments, including recently the latest Canada Savings Bond series, will tend to reduce the growth rate of such deposits to perhaps around 15 per cent next year. To some extent, declines in short-term rates will also depress growth of non-personal term and notice deposits. An additional important factor, in this case, is the relative yield on comparable deposits in the United States and other countries. If the decrease in Canadian short rates lags behind the decline in rates on similar instruments abroad, as they well might, short-term capital will be attracted to Canada and part of it will find its way into non-personal term and notice deposits. On balance, the growth rate of these deposits next year could be close to this year's estimated 13 per cent.

Demand deposits may increase sharply in 1975, as the result of the relatively easy monetary policy, I have assumed, and a decline in money

market rates. However, because of the predominance of personal savings deposits, total Canadian dollar deposits should grow at a slower rate next year; another factor here will be a sharp rise in government balances. A slowdown in the growth of foreign currency deposits is also anticipated for 1975, reflecting some slackening in the demand for business loans.

As mentioned earlier, I would not be surprised to see a significant weakening of interest rates at the short end of the maturity spectrum over the next term. Looking at the term-structure of rates, this implies a reversal of the mid-1974 yield curve towards a more "normal" position. United States' monetary policy is becoming distinctly less restrictive because of the current recession in that country. Any decrease in U.S. short-term interest rates will, of course, exert some downward pressure on their Canadian counterparts, but, even after allowing for this, it seems likely that Canadian short-term rates will continue high by historical standards.

At the same time, we do not anticipate any major easing of long-term rates over the next several quarters. As a result of relatively large corporate cash requirements and the substantial financing needs of provinces and municipalities, a heavy calendar of bond issues is assured next year. While this does not in itself guarantee that long-term interest rates will remain high, it indicates a potentially large demand for credit. Expectations about the rate of inflation also play an important role in the determination of the level of long rates. Needless to say, if one assumes that investors require a minimum three or four per cent real rate of return plus compensation for inflation, one cannot anticipate significant declines in long-term interest rates unless and

until inflation subsides. While it is far from clear how price behaviour affects interest rates, it seems reasonable to expect investors to pay a fair amount of attention to recent rates of inflation. Our view is that we may see an over-all rate of price increase of $12\frac{1}{2}$ per cent this year, followed by a rise of about 10 per cent in 1975. And, if I am right in assuming that the Bank of Canada will continue to expand our money supply at rates well into the two-digit range, then I fear that we must unfortunately also expect a continuation of historically high price increases which establish an elevated floor under our interest structure.

In summary, 1975 will be a year of slow growth, high inflation and continued pressures in our financial markets. At the same time, it is, however, important to maintain a certain perspective and to recognize the many longer-term strengths of our country. Our population and labour force are growing strongly, we have abundant raw materials, as well as technological and financial know-how. We are aware of Canada's potential and we, as bank decision-makers, will continue to do our part in building a stronger economy. In fact, I feel that business is generally ready to accept the challenges that lie ahead, and I only hope that the government sector will provide an environment in which Canada can grow and prosper and exhibit the kind of responsible behaviour which is a hallmark of good leadership. In our advertising we stress that "you and the Commerce, together we're both stronger." I hope this same principle could be widened to apply to the relations between the different sectors and regions of our economy, because only if we act as partners, rather than adversaries, can we realize our great potential.

CANADIAN IMPERIAL
BANK OF COMMERCE

Remarks by

J. Page R. Wadsworth

Chairman and Chief Executive Officer
at the Annual General Meeting of Shareholders
December 10, 1974

Ladies and Gentlemen:

The year 1974 should be remembered as a year of change—in some instances dramatic change—in the world economy. In fact, the experience of the past two years has brought home to us with some force what the frequently used term ''global village'' really means, because never before have events in national economies been so dependent on developments in the rest of the world. Changes have been political, social, and economic in nature. Political instability has been widespread and, on the economic scene, the perennial conflict between management and labour has again flared up in many areas as a direct consequence of recent inflation experience

But since the President, Mr. Harrison, has discussed in some detail the economic environment within which we have operated over the past year, let me turn from the past to say a few words about how we view our prospects for 1975 and to comment on some major issues facing Canada at the present time. For Canada, 1975 is likely to be a year marked by a combination of relatively slow growth and still rapid price inflation. No significant recovery is expected before mid-1975, and the start of the upswing will depend to a large degree on the timing of economic resurgence by our major trading partners. The United States' economy is exhibiting mixed signs, but the negative indications continue to outnumber the positive elements Japanese policy-makers are expecting some recovery, but the consumer and business sectors of that economy continue to be pessimistic in their expectations. Western Europe has been hard hit by increased oil prices, and even the relatively

''well-behaved'' West German economy has lowered its prospects for 1975.

Against this background, we expect the Canadian economy to grow by some three per cent in real terms next year. The relatively weak sectors in 1975 should be housing, consumer spending on automobiles and household durables, inventory accumulation, and merchandise exports. Elements growing more rapidly than the economy as a whole will be business investment in plant and equipment, government spending, and consumption of non-durables and services. The November Federal Budget is expected to impart some stimulus to consumer spending and housing, but the main impact will not become evident until rather late in the year.

On the prices front, we are now in a period in which a great deal of the pressure is resulting from the cost of raw materials and production rather than from excessive demand. Earlier price increases brought on by world-wide shortages or the fear of shortages are being passed on through the production process to finished goods prices. Pressures of this kind should gradually subside as new capacity is put in place and demand eases. But one factor which will sustain pressure on prices is labour. The present round of large wage and salary adjustments will push up unit labour costs and create significantly added pressure on prices.

For these reasons, we expect only some marginal moderation in the rate of inflation, with prices still increasing, on average, at a rate of about 10 per cent in 1975.

During the past year, corporate profits increased very rapidly in many sectors of the economy. However, this phenomenon was often more apparent than real since, although in many industries sales volumes continued to expand, the growth of profits was to a large degree the result of rapidly rising prices. Obviously, those corporations with relatively large stocks of previously finished or semi-finished goods tended to benefit the most.

But while the profit figures have led some observers to argue that the corporate sector is much better off now than at the beginning of the year, there are a number of reasons for concern. In the first place, the real purchasing power of corporate retained earnings, i.e., the corporation's internal sources of funds, has been considerably eroded by rapidly rising prices. Simply stated, a dollar of profit will not go nearly as far when re-invested towards a firm's expansion today as it would a year ago. We need in Canada some form of capital cost allowance system based on current values, in order that corporate savings can be maintained at realistic rates for the replacement of assets and for investment in expanded and improved plant and equipment. There is a great deal of misunderstanding in this country surrounding the term ''profit'', and it is not always, or even usually, realized that profits are in fact the engine of growth and prosperity on which our system depends.

In addition to eroding business savings, the inflationary environment has had a profound impact on financial markets over the past year, raising the costs of external financing, and making it very difficult to raise long-term capital for expansion through the capital markets. Thus, an erosion has taken place, both in terms of internally and externally generated funds, of the ability of business to raise the necessary capital for expansion, and this could have serious effects on our future

productivity and price performance. We should be more concerned about these disquieting trends than about our near-term economic outlook.

While the latter deserves attention, it is clear that only by having an adequate rate of investment can we guarantee the existence of a sufficient degree of productive potential to give us continued growth and prosperity for the future. In fact, in dealing with the short-term outlook, there is far too often a tendency to ignore the implications of various policies and developments for longer-term trends. Over the past two decades the three levels of government—either at the initiative of the people of Canada or, more frequently, through their own initiative—have greatly enlarged their role in Canadian society. Their increased share of the gross national product is to an important extent attributable to the very sharp rise in government revenue which has resulted from a tax structure with an enormously powerful revenue-generating capacity.

At this stage in Canada's development we must carefully re-examine the challenges which we face over the longer-term and make government aware of the role we believe it should play.

Inflation, in its present context, has definitely become a prime economic challenge. Inflation is not just an international problem with the only "real" solution being an international solution. It needs to be recognized that inflation everywhere is essentially "home-made" and that domestic policies can be used effectively to combat it. More and more we are being told by politicians and by government agencies that there are "rip-offs" at many levels in the business sector which tend to push up prices. This approach is essentially unhealthy in that it diverts attention from the real problem and the responsibility of government to pursue correct monetary and fiscal policies. One might even reverse the question and ask whether there is any possibility of the existence of a "government rip-off". Even though the ratio of government revenues to our total GNP has grown over the last two decades—and now stands at 40 per cent—governments have often not been able to live within their means and on many occasions have run large deficits. A prime example may be the shift of the federal budget into a $1½ billion deficit as projected in the November 18 presentation by the Minister of Finance for the 1975-76 fiscal year. The financing of such deficits has in the past led to inflationary monetary expansion and siphoned much needed funds for the financing of private fixed investment away from our financial markets. The huge $3 billion federal cash requirement for fiscal 1975-76 may well create some problems of this nature. The point I want to make is that inflation, often defined as "the result of living beyond our means over a long period of time", can be reduced by responsible government policies directed to all the major elements of the Canadian economy, *including* governments themselves.

I have already referred to the major challenge we face in the provision of an assured flow of capital to improve Canada's ability to produce. Over the longer term, there is only one criterion which can ensure the expansion of capacity—a fair return on savings and investment within a relatively stable economic and political framework. The Canadian economy is now in the midst of an investment boom following insufficient capital outlays in the 1967 to 1972 period. With the benefit of hindsight, the lack of investment in that period was a most undesirable occurrence, with serious

implications for both growth and price performance. Major contributing factors to the atmosphere of uncertainty that caused this situation were the federal government's stop-go economic policies and the drawn-out decisions on tax reform. We do not want government-made uncertainty, for we have enough uncertainties as it is. When one considers that capital requirements may be in the order of $500 billion over the next decade, responsible actions by all levels of government and society are an absolute necessity. Current federal-provincial squabbles over resource dollars are not in the spirit of the cooperation which is so desperately needed. The resource industries have traditionally been the backbone of our economy and a lack of sufficient new investment in this area could lead to serious shortages and problems in years to come.

We have been in a most enviable position in the world economy today because of our self-sufficiency in energy resources. Canada has been able to avoid the massive disruptions which have wrought havoc in the economies of the world over the last fifteen months. This self-sufficiency in energy resources will be short-lived if the energy industry is forced to curtail the vital investment in exploration for new energy sources. Indeed, in a few short years Canada will be a net importer of oil, even if exports are phased out.

This is bound to affect the standard of living for all of us, no matter where we live in Canada or where we work.

The basic challenge facing Canadian society is to create and to nourish an environment in which the individual feels he is capable of fulfilment and able to take initiatives with a fair chance of success. Canada will continue to have a rapid inflow of young people into the labour force—these entrants are for the most part better prepared to enter the working world than those of previous generations. But we must have the kind of economic environment which encourages business to expand and employ these young people. If taxes are to be kept at reasonable levels so that incentives to work and to better one's position are not destroyed we must stop asking governments for more than we really need and can provide for ourselves. We need to see a reversal of recent trends in government expansion, with governments, rather than ever-increasing in their claims on us, becoming less visible and allowing individuals more room to grow and to develop on their own initiative.

At the same time, I should stress that my comments are certainly not intended to mean "let us return to the old-time religion". Rather, they reveal my belief that as the needs and desires of society change—then so should the type of "bond" that keeps it together. The "guiding light of government" has helped to bring Canada forward since the time of the National Policy in the previous century, and has reduced the extent of income inequalities. These trends will certainly continue. But over the next few years, Canadians, as businessmen, consumers, savers, investors, taxpayers, wage-earners, and politicians, should take a hard look at where we are now and carefully consider the type of future we want over the next decade. In this process I am convinced we shall face grave dangers if we forget that government is a means to an end and not an end in itself.

The objectives we choose and the measures we adopt to reach them will in large part dictate the future of this nation.

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CANADIAN IMPERIAL
BANK OF COMMERCE

Report by

Russell E. Harrison

President and
Chief Operating Officer
at the Annual General Meeting of Shareholders
December 10, 1974

Ladies and Gentlemen:

The Executive Vice-President and Chief General Manager has reviewed the operating results for the year. We can take a certain measure of satisfaction from these results, but it would be a mistake to look at one year's performance in isolation. First, the results depend to a large extent on decisions made and steps taken in prior years. Second, actions taken this year, which have had negligible impact on the current year's figures, could significantly influence operating results in future years.

Perhaps, it would be helpful if I elaborate on the environment in which we are operating and comment on some of our plans and policies which could have an impact on future performance.

The year 1974 has been an eventful but difficult one for the financial community. It has been a year in which even with a decelerating rate of real growth, an accelerating rate of price inflation generated a substantial increase in financing requirements from the previous year. Current dollar Gross National Product increased about 17% in 1974, compared with 15% in 1973 and 11% in 1972.

This year, the burden of fighting inflation has fallen mostly on the Bank of Canada, since the federal and provincial governments have been pursuing relatively expansionary fiscal policies. In contrast with the year before, when its cash requirements were minimal, the federal government will likely have a cash deficit of about \$1½ billion in fiscal 1974, while the provinces' aggregate budgetary deficit will probably be in excess of \$1 billion.

In spite of the Bank of Canada's monetary policy objective, the broadly-based money supply expanded at a 21% rate during our recent fiscal year compared with a 13% increase in the

corresponding 1972-1973 period. Even with a relatively large increase in the money supply, the remarkable demand for credit, reflecting in part the impact of higher prices on borrowing requirements, forced interest rates to record highs and reduced the liquidity of the banking system.

The ratio of Canadian dollar loans to Canadian dollar deposits has been increasing steadily for many years with only minor and temporary interruptions. As a result, imbalances between loan demand and deposit generation cannot be accommodated by adjustments in our portfolio of liquid securities alone. We have to pay close attention to the management of our liabilities and to the management of our less liquid assets. Dealing first with asset management, and noting that the Chief General Manager has mentioned a major change took place in loans, let me review the more important loan categories.

The demand for mortgages was high in 1974, spurred by strong new housing activity during the first eight months of our fiscal year, as well as by rising prices on existing buildings. By mid-year, we were unable to cope with the overwhelming demand and, in view of the changing monetary conditions, we found it necessary to modify our lending policy. Nevertheless, our mortgages outstanding grew by almost 40%. Housing starts have dropped sharply from their peak because of high prices and high interest rates, and with some ease in monetary conditions, we have been able to return to a more normal lending posture.

Looking to the future, the picture is most uncertain. Although the federal budget provides some stimulus for housing, the depressed state of the residential construction sector, at least through the first half of 1975, will tend to slow demand for mortgages on new single family dwellings. The demand for mortgages on existing housing will depend on the reaction of buyers to continued high mortgage rates.

We do not anticipate a major easing of long-term rates over the next several quarters. Expectations about the rate of inflation play an important role in the determination of the level of long-term rates. Needless to say, if one assumes that investors require a minimum of 3 or 4% real rate of return, plus compensation for inflation, one cannot anticipate significant declines in long-term rates unless and until inflation subsides.

Although we expect that our mortgage portfolio will continue to grow next year, it is quite unlikely, in our view, we shall be able to match last year's rate of growth.

The demand for personal loans remained strong through most of 1974. While the increase was not as rapid as during the two previous years, our consumer loans increased by about 25%. As the year progressed, demand eased somewhat, which was consistent with the deceleration in the volume of consumption spending as consumers because more cautious in the light of continued price inflation and anticipated higher unemployment.

During the year, we tightened our standards to ensure that the quality of our loans in this category would not deteriorate. However, we continue to seek high quality loans for worthwhile purposes and within the borrowers' capacity to repay.

Looking ahead to next year, there are countervailing forces at work. On the one hand, sales of household durables have weakened, and automobile sales may be experiencing a sharp and

serious decline. Many households have seen their real incomes eroded by higher costs and with consumer prices running almost 12% above last year, consumer confidence is being undermined. On the other hand, the federal budget provides some stimulus for consumer spending and people tend to borrow in line with rising personal incomes. On balance, we expect consumer loans will probably remain fairly buoyant because borrowers will require loans of higher current dollar value, even if the volume of their transactions were to show no increase at all.

Before turning to general loans, which is the largest loan component, I might mention that mortgage loans and consumer loans have two attractive attributes from the asset management point of view. Firstly, the cash flow from repayments is very predictable; secondly, the rate of interest is established at the outset, which lends itself to more precise liability management, to which I shall refer later.

The business community spent over $19 billion on fixed plant and equipment in 1974 and also had to finance substantial additions to bussiness inventories. Reliance by non-financial corporations on internal sources of funds, while great, was not sufficient to finance their requirements. During late 1973 and the early part of 1974, many corporate borrowers felt the general level of interest rates was about to fall and they showed a good deal of reluctance to borrow money with a long-term to maturity. This resulted in heavy pressure at the short-end of the market. Although the business sector issued an exceptionally large volume of short-term commercial paper, the demands on the banks for credit remained very strong. Our general loans, for example, increased by 22%, an increase of well over $1 billion.

Last year, as I have inferred, despite the accommodating posture adopted by the Bank of Canada, every demand for credit could not be met by your Bank, nor by the system as a whole. Periods of credit restraint have become relatively common during the past few years and the problem of rationing credit is, apparently, one with which we will have to live. I might mention here the policy we have followed during the past year and the one we propose to continue, as far as is possible, when we are faced with the inability to meet all the credit-worthy demands presented to us. Firstly, we would hope to continue to accommodate those requests where there is no practical alternative source of funds. Secondly, we would continue to look after the needs of small business and, thirdly, we shall take full cognizance of regional disparities and do all we can to encourage economic development in the slow growth areas of this country.

As many of your are aware, we are frequently criticized by government and in business circles for our lending policies. I want to reassure you, as our shareholders, that we are sensitive to and responsive to these criticisms which, I am satisfied for the most part, are caused by circumstances beyond our control. Undoubtedly, we could do a better public relations job than we have done in the past and we are consciously developing our capabilities in this area. Hard decisions have to be made from time to time in our business, as in most others, and, while we cannot expect universal agreement on our actions, we can improve the general understanding of the necessity for such actions.

Turning to the future, the Chairman plans to comment on our country's economic prospects; however, in terms of general loans, we anticipate that the effects of economic activity expanding

more slowly and a decline in the rate of inventory accumulation, will reduce the demands for short-term credit. I might add, the monetary situation already appears somewhat easier.

Like asset management, liability management has become more important. It is not simply a problem of generating sufficient deposits to finance loan demand, it is also the problem of relating the cost and the term of a deposit to its probable, profitable use. During the past year, there were several developments worth noting. Firstly, the increasing uncertainty of the consuming and saving public led to the savings ratio rising to a record high level during the year. Secondly, the relatively unattractive 1972 and 1973 series of Canada Savings Bonds led to extensive redemptions, diverting funds to the personal deposit instruments of the banks. Thirdly, the so-called Winnipeg Agreement established interest rate ceilings on certain short-term deposit instruments. During most of the year, these rates were lower than money market rates which had the effect of diverting funds from the banks to the money markets. More recently, rates have fallen and the banks are now in a position to pursue deposits more agressively in competition with other borrowers. Finally, we also found it necessary during the year to utilize swapped foreign currency deposits to support Canadian dollar lending activity, although the utilization of such deposits has since been reduced to nominal levels.

To summarize, our relatively high cost deposits grew by about 30%, whereas our low cost deposits grew by approximately 5%. We have maintained or improved our share of the important stable deposits like Personal Savings and Personal Chequing Accounts.

To ensure satisfactory performance in attracting personal deposits, we do our best to provide efficient, convenient and needed services to the Canadian public. An important element of this strategy is new branches. Last year, we opened 40 new branches in Canada and closed 2 to bring the total number to over 1,600—about 225 more than any other Canadian bank. We shall continue to seek new profitable branch locations in accordance with our policy of providing Canadians with complete and convenient banking services.

Another element of our strategy to attract personal deposits is the development of new deposit instruments and other services. Last year, your Bank introduced Commerce Key Account, a package of bank services for a flat rate monthly service charge. It has obviously met a need and has been received very favourably. Shortly, we shall launch a retirement savings plan to permit our customers to take advantage of the attractive tax deferral provisions in the Income Tax Act on savings for retirement purposes. We expect it will be equally successful.

In terms of the future, there are many uncertainties. The recent Canada Savings Bond issue was a resounding success or perhaps too successful depending on one's point of view. The extent of the sale has had a significant impact on money markets and the gyrations on a day-to-day basis continue to create difficulties.

We expect that personal savings deposits will be limited to a 15% growth rate, compared to last year's 30%. However, at the same time, there is the likelihood demand deposits will increase in

1975 as the result of a relatively easier monetary policy and a decline in short-term interest rates.

Before reviewing our international activities, I wish to make a final comment related to our domestic operations. Last year operating costs, exclusive of interest, increased by $80 million, whereas our operating revenues, again exclusive of interest, increased by less than $17 million. This trend has existed for several years and the Bank's profitability has been sustained by increases in our net interest earnings attributable primarily to a higher volume of assets and partially to an improved asset/liability mix. Next year, operating costs are expected to increase substantially again as the result of inflation. It is quite unlikely that growth in assets and changes in asset/liability mix will produce a sufficient gain in net interest earnings to support these cost increases. As a result, we intend to review the pricing of our banking services to ensure they reflect properly the significant increases in the cost of operations we have experienced during the past few years.

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While Canadian economic performance in terms of real growth and price inflation has been disappointing over the past year, we have, on balance, fared better than most industrialized countries. The increase in the prices of oil and other energy resources has placed considerable strain on the international community due to the huge surpluses of the oil exporting countries and the equivalent deficits of the energy consuming countries. The burden of these large oil deficits will not disappear quickly because it requires the oil exporting nations to sharply increase the value of imports from and longer term investments in the rest of the world to about the level of their exports. Even then, it is likely that imbalances between individual countries will remain and continue to pose serious financing problems.

In the meantime, the deficits of the individual countries must be financed by recycling the surpluses of the oil exporting nations. To date, the recycling has been channelled through private money markets, complemented by a special International Monetary Fund oil facility, and a few bilateral agreements. There is an obvious need to create other structures to facilitate the enormous task confronting the world.

The effects of higher energy costs and shortages strengthened the impact of internal deflationary policies aimed at reducing inflation. As a consequence, output in the major industrialized countries declined during the first half of 1974 and remained generally sluggish through the balance of the year. The United States, the United Kingdom and Japan, our major trading partners, have apparently experienced declines in real GNP in 1974.

The severity of the problem of price inflation, which currently plagues a large number of countries, results from the marked and historically unique synchronization of the major industrial economies during the past period of economic expansion, the world-wide shortage of commodities which developed, and the jump in the prices of a wide range of petrochemicals and related derivatives.

The problems of recycling oil surpluses, deflationary domestic policies, and high rates of inflation converged on the international money

markets to create a great deal of uncertainty. A few, well-publicized failures and disclosures of large foreign exchange losses served to reinforce the uncertainty.

In this environment, it was prudent for the Bank to proceed cautiously and, although our foreign currency deposits increased, our rate of growth was considerably less than in 1973.

The reduced growth rate does not reflect a change in policy; it is simply not sensible, in our view, to take on deposit liabilities that cannot be profitably and safely employed. We are a prime name in international markets and we could have increased our foreign currency deposits by a significantly greater amount.

The funds raised are invested primarily in foreign currency loans or placed on deposit with other banks. We paid particular attention to the quality of our loans and even in the present difficult environment there were first-class lending opportunities in the better economies of the world. As a result, foreign currency loans increased by about 40% last year. Deposits with other banks stem from our wholesale operations and, during the past year, we have followed a conservative policy and deposits with other banks declined marginally.

Profit from our international operations has been increasing, and we expect the relative contribution from this source will continue to grow. Next year will likely be a further period of consolidation for us internationally, but we shall continue to strengthen and broaden our base of operations. During the year under review, we entered a joint venture in Hong Kong called Canadian Eastern Finance Limited which is already operating on a profitable basis. At the same time, we established in Hong Kong an Area Office covering the Far East. To complement our growing international network of trust operations, a new subsidiary, Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited, was incorporated with its Head Office in Nassau. We have attached a Special Representative to our European operations office in London with specific responsibility to further develop business in the Middle East and our efforts are continuing to establish a physical presence in this area. Based at our Head Office in Toronto, we formed, during the year, an International Services Department to provide advice and assistance to Canadian business involved in international markets and, in October, we opened a Representative Office in Sao Paulo, Brazil.

We have other plans under development for expanding our international base and, with full recognition of the economic uncertainty in international markets, we have set realistic but challenging objectives for ourselves.

The business of banking is becoming increasingly complex. During the past year, we have made some significant changes in our organizational structure and philosophy. To respond actively and and intelligently to change, and to recognize opportunities for proper and effective growth, we must have a broad and knowledgeable executive base. We have expanded this base by the appointment at Head Office of five Senior Vice-Presidents, who have already been introduced to you. We have delegated substantial authority, responsibility and ultimately,

accountability for major functions of the Bank's operations to each of them. For example, administration of loans and investments, from a day-to-day operational point of view, is the responsibility of the Senior Vice-President, Loans and Investments, whose reference to higher executive authority is largely confined to matters of policy and those areas which could affect other aspects of our operation.

Our objective of delegating further responsibility to our Regional Vice-Presidents was enhanced by the appointment of a Senoir Vice-President, Domestic Regions, who is responsible for co-ordinating our regional activities. Our responsiveness to and understanding of regional needs will continue to improve as more and more decision making powers are delegated to our various regions.

During the past year, we have embarked on the preparation of a long-term plan. One of the first tasks of the Senior Vice-Presidents was a detailed review of the operations falling into their respective areas of responsibility. These reviews have been completed and are currently being consolidated. They will form the basis of a co-ordinated, strategic plan for the Bank's future development. We must ensure in the rapidly changing environment in which we operate that we have the abilities and the resources to realize our maximum potential.

The Chief General Manager has commented on our personnel and I only want to emphasize that the success of our planning will depend on our having the trained personnel to carry out programmes efficiently. Accordingly, the recruiting, training and development of our human resources has the highest priority.

To sum up, it is our goal to be a major national and international financial institution. We are well placed in the Canadian market for continued growth and we have even greater potential internationally. Let me stress that while we intend to grow, we intend our development to be solid and sensible. We are bankers to the whole Canadian community with a heavy responsibility in a growing, developing country to be able to serve the needs of individuals, business, communities and regions. We do not intend to limit our service by concentrating our efforts in only a few areas.

Our growth will be balanced because that's the kind of Bank we are. Our assets will increase but no faster than our capability permits. Our aim is to attain safe and profitable growth in a steady, logical manner.

We fully recognize that as well as producing a profit, we, as a corporate citizen, have other responsibilities to the community. We are conscious, also, of the social, political and economic consequences of our actions. We believe we can serve society best by being an efficient bank and that our economic soundness and contribution is the best test of our competence and our relevance. In the future, we shall continue, based on enlightened self-interest, to be responsive to changing social demands.

Thank you.

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CANADIAN IMPERIAL
BANK OF COMMERCE

Report by

R. Donald Fullerton

Executive Vice-President and

Chief General Manager

at the Annual General Meeting of Shareholders

December 10, 1974

Ladies and Gentlemen:

It is a pleasure for me to report to you on the operating and financial results of the Bank over the past year. Before reviewing the statements, it might be helpful to outline briefly the economic and monetary environment in which we operated last year.

The Canadian economy experienced a rapid and eventually unsustainable rate of growth in the first half of our fiscal year, and this was combined with an alarming increase in the rate of inflation. The second half of the year was characterized by a marked slowdown, notably in housing, lumber and consumer durables. However, there was no apparent easing in the spiralling rate of inflation. Monetary policy in Canada tended to be moderately restrictive but the effects of inflation and the exceptional demands for credit from the banking system precipitated a 21% increase in the money supply. There was an exceptionally high rate of growth in term and notice deposits resulting from the unprecedented flow of personal savings into term deposits in response to the unusually high and attractive rates of interest paid on these instruments.

Internationally, the financial sector was uneasy throughout the year with erratic and highly volatile activity in many money markets.

Despite the deceleration in economic growth in the second half of the year, the demand for credit from all sectors—housing, business, consumers and governments—continued virtually unabated. This sustained pressure on the money markets resulted in further increases in the Bank's minimum lending rate which climbed from 9% in November, 1973 to a high of 11½% in July, 1974. Interest rates on savings accounts rose from 6¾% at the beginning of the fiscal year to a high of 9¼% last August. Rates on short term deposits also followed this trend and increased from about 8½% to 10½% over the year.

Against this economic and monetary background, you would reasonably anticipate our results to show significant increases in the levels of loans and deposits, substantially higher interest

revenues and interest costs, and much higher inflation-induced operating costs. This is evident in the Bank's one hundred and eighth Annual Statement.

You will note from the totals in the 'Statement of Assets and Liabilities,' the Bank's total assets increased from some $16 billion to almost $19 billion by the year-end, an increase of $2.8 billion, or 18%.

A very large proportion of the increase in total assets is accounted for by the increase in Total Loans, which reached $11½ billion, an increase of $2½ billion, or 28% from the October 31, 1973 level. As I mentioned earlier, this increase resulted from a very strong loan demand, virtually country-wide and in all categories.

Particular areas of high activity included mortgage loans, consumer credit, and loans to municipalities and grain dealers. In view of this very strong loan demand, total cash resources and total securities showed modest fluctuations. Bank premises, securities of and loans to corporations controlled by the Bank, customers' liability under acceptances, guarantees and letters of credit, and other assets reflect a relatively normal year to year change.

A similar growth picture is evident in the 'Liabilities' section. Total Deposits increased by $2½ billion with two-thirds of the gain accounted for by a higher level of savings deposits. A significant portion of this gain is accounted for by the higher interest rates prevailing on personal term deposits, which showed an extraordinary gain during the past year.

Accumulated appropriations for losses increased from $205 million to $210 million after providing for all foreseeable losses and a write down to market value, where appropriate, in the securities portfolios. Under Capital Funds you will note an addition of $35 million was made to Rest Account during the year and that the Bank's total capital funds moved from $596 million to $620 million.

The operating results shown in the 'Statement of Revenue, Expenses and Undivided Profits,' disclose some material fluctuations from the results for 1973. Total revenues and total expenses each rose by more than $500 million with deposit interest costs up some 86% to more than $1 billion. Salaries, pension contributions and other staff benefits increased by almost $50 million, an increase of 26% over 1973, which in turn was 25% higher than 1972. Other operating expenses were up from $80 million to $105 million, which reflects inflationary pressures as well as increased provision for losses.

The Balance of revenue, therefore, amounted to $206 million, which was $25 million, or 14%, higher than last year. After providing for income taxes of $105 million and setting aside an Appropriation for Losses of $38 million, the Balance of Profits for the year amounted to $63 million, up $8 million from the year previous. Dividends to shareholders totalled $38 million for the year and represented a per share payout of $1.11 compared to 96¢ in 1973. This left almost $25 million which, when added to the undivided profits at the beginning of the year, totalled some $35.6 million, of which $35 million was transferred to Rest account, leaving $687,000 in Undivided Profits at the year-end.

I would like to comment briefly on the November 18 federal budget and advise that the statements before you fully reflect the provisions it contained affecting the year's operations. The budget provided for a 10% surtax retroactive to May 1,

1974 and reduced the amount of reserves which can be set aside on a tax allowable basis. The effect of these measures was to increase by $15 million the amount of 1974 income taxes payable by the Bank.

You will note appropriations in the 'Statement of Accumulated Appropriations for Losses' have increased from $205 million at the beginning of the year to $210 million at the year's close, of which $122 million are tax paid. The figure of $26.7 million, related to the profit and loss on securities, reflects the requirement to write down securities, other than those of the federal government and the provinces, to market values. These securities will, of course, be written up in future years if market values increase, or as they mature.

The 'Statement of Rest Account' is self-explanatory with $35 million being transferred from undivided profits, bringing the total to $450 million.

While the Trust Companies, shown in the 'Statements of Assets and Liabilities of Controlled Corporations,' at New York, Cayman Island, London, England and Bahamas are relatively modest in size, they are all profitable and growing operations. Dominion Realty Company Limited and Imbank Realty Company Limited are, of course, the companies which hold a large proportion of the Bank's real estate.

I will refrain from any further comment on the Bank's international operations as the President and Chief Operating Officer will be covering this matter in his address.

Ladies and Gentlemen, this concludes my very brief review of the Bank's one hundred and eighth Annual Statement, but I should like to make several further comments. I mentioned earlier that our salary and benefits costs have risen $50 million this year. Since we reported to you last year, there have been two general salary adjustments to compensate for rising living costs and to keep our salary scales at competitive levels. These increases are in addition to the normal reviews recognizing merit and promotion. We have also been conscious of the problems inflation creates for our pensioners and payments made by the Bank supplementing their pensions have been increased.

Our people today show a keen interest in personal development. We in turn give high priority to providing training both on-the-job and at training centres across the country in order that our personnel may acquire the skills to keep abreast of the rapidly changing banking environment. During the year, some 600 men and women attended a wide variety of classes at our staff college in Toronto. In addition, about 2,000 employees are enrolled in the educational programs of the Institute of Canadian Bankers conducted through universities across Canada. As an illustration of the dedication necessary to complete the I.C.B. program, it can take four years or more of weekly evening classes to obtain a fellowship in the Institute of Canadian Bankers.

I think you will agree the results for the year permit a measure of satisfaction and we are proud of the contribution made by our 28,000 personnel. The large growth in volume of business, its increasing complexity, and the variety of new services have placed additional demands on our personnel and they have met the challenge and performed well in today's difficult environment. I know you will join with me and my colleagues in thanking them for an excellent performance.

COMMENTS ON THE STATEMENTS

Total assets at April 30, 1974, amounted to \$17½ billion, an increase of 22% from a year ago. The principal factors leading to this growth in assets have been an exceptionally strong demand for loans in Canada, and further expansion of international business.

Balance of revenue after income taxes amounted to \$48 million for the half-year, a gain of 15% over the corresponding period of last year.

The increases in both assets and earnings must be viewed in the light of the steadily increasing rate of inflation. The effect has been to accentuate the growth of both assets and earnings in current dollars. This cannot be expected to continue indefinitely. The strong demand for loans is being met to an increasing extent through interest-bearing deposits at a continuously higher cost, while salaries and other operating expenses are mounting steadily. Earnings in the second quarter of the current year, expressed as a rate of return on assets, were lower than in both the preceding quarter and the same quarter of 1973, and the improvement in profits was attributable wholly to the higher volume of assets.

While further increases in volume of business are expected in the remainder of the fiscal year, this is likely to be accompanied by increasing pressure of operating costs.

J. P. R. WADSWORTH
Chairman and Chief Executive Officer

PRINTED IN CANADA

CANADIAN IMPERIAL
BANK OF COMMERCE

INTERIM REPORT

For the six months ended

April 30, 1974

Chairman and Chief Executive Officer
J. P. R. WADSWORTH

Vice-Chairman
L. G. GREENWOOD

President and Chief Operating Officer
R. E. HARRISON

STATEMENT OF ASSETS AND LIABILITIES *as at April 30*

ASSETS	1974	1973
Cash and due from banks - - - - - -	$ 3,192,330,459	$ 2,153,275,176
Cheques and other items in transit, net - -	357,136,388	410,128,606
Total cash resources - - - - - -	3,549,466,847	2,563,403,782
Securities issued or guaranteed by Canada, at amortized value - - - - - - - -	1,806,108,244	1,771,318,998
Securities issued or guaranteed by provinces, at amortized value - - - - - - - -	62,028,602	65,139,550
Other securities, not exceeding market value	621,620,814	619,142,920
Total securities - - - - - - - - -	2,489,757,660	2,455,601,468
Day, call and short loans to investment dealers and brokers, secured - - - -	372,485,047	380,974,418
Other loans, including mortgages, less provision for losses - - - - - -	10,245,876,446	8,167,969,079
Total loans - - - - - - - - - -	10,618,361,493	8,548,943,497
Bank premises at cost, less amounts written off - - - - - - - - - -	201,372,362	194,099,266
Securities of and loans to corporations controlled by the bank - - - - - -	74,697,796	58,410,884
Customers' liability under acceptances, guarantees and letters of credit, as per contra - - - - - - - -	528,683,432	459,294,416
Other assets - - - - - - - - - -	22,652,141	17,927,055
	$17,484,991,731	$14,297,680,368

The interim figures shown in this Statement are subject to year-end adjustment and audit.

LIABILITIES

	1974	1973
Deposits by Canada	$ 159,467,069	$ 507,251,113
Deposits by provinces	474,867,841	702,989,330
Deposits by banks	2,296,963,506	1,004,222,135
Personal savings deposits payable after notice, in Canada, in Canadian currency	6,669,673,086	5,217,066,287
Other deposits	6,490,329,970	5,626,003,290
Total deposits	16,091,301,472	13,057,532,155
Acceptances, guarantees and letters of credit	528,683,432	459,294,416
Other liabilities	64,047,326	82,805,931
Total sundry liabilities	592,730,758	542,100,347
Accumulated appropriations for losses	205,249,364	188,819,446
Debentures issued and outstanding	100,000,000	50,000,000
Shareholders' equity:		
Capital: Authorized—62,500,000 shares of a par value of $2 each		
Issued—34,840,000 shares fully paid up	69,680,000	69,680,000
Rest account	415,000,000	380,000,000
Undivided profits	11,030,137	9,548,420
Total shareholders' equity	495,710,137	459,228,420
	$17,484,991,731	$14,297,680,368

R. E. HARRISON
President and Chief Operating Officer

R. D. FULLERTON
Executive Vice-President and Chief General Manager

STATEMENT OF REVENUE AND EXPENSES

For the six months ended April 30

Revenue:	1974	1973
Income from loans	$597,395,240	$346,321,413
Income from securities	80,892,684	71,292,475
Other operating revenue	52,126,815	45,264,721
Total revenue	730,414,739	462,878,609
Expenses:		
Interest on deposits and bank debentures	442,614,295	224,306,426
Salaries, pension contributions and other staff benefits	113,648,444	88,938,006
Property expenses, including depreciation	31,020,930	30,286,336
Other operating expenses, including provision for losses on loans based on five-year average loss experience (note)	48,389,672	37,498,910
Total expenses	635,673,341	381,029,678
Balance of revenue	94,741,398	81,848,931
Provision for income taxes relating thereto	46,700,000	40,100,000
Balance of revenue after provision for income taxes (note)	$ 48,041,398	$ 41,748,931
Dividends declared in the period	$ 19,162,000	$ 16,026,400
Per share	55¢	46¢

Note:

In addition to the provision for losses on loans included in other operating expenses, an appropriation is made out of earnings at each year-end to provide for losses not yet known which may be incurred on realization of existing loans, together with possible losses on securities and other assets. The amount of such appropriation, which must be taken into account in arriving at Balance of Profits, has not been provided for in the interim financial statements and will be determined at the end of the year.

R. E. HARRISON
President and Chief Operating Officer

R. D. FULLERTON
Executive Vice-President and Chief General Manager

The interim figures shown in this Statement are subject to year-end adjustment and audit.